Q&A

WORK BOOK CUM QUESTION BANK WITH ANSWERS

COST ACCOUNTING

CLASS - XII

COMMERCE

SCHEDULED CASTES & SCHEDULED TRIBES
RESEARCH & TRAINING INSTITUTE (SCSTRTI)
ST & SC DEVELOPMENT DEPARTMENT
BHUBANESWAR

Work Book
cum
Question Bank with Answers

COST ACCOUNTANCY

CLASS-XII

COMMERCE

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SCHEDULED CASTES & SCHEDULED TRIBES
RESEARCH & TRAINING INSTITUTE (SCSTRTI)
ST & SC DEVELOPMENT DEPARTMENT
BHUBANESWAR

2020

FOREWORD

An innovative education program has been initiated by ST & SC Development Department, Govt. of Odisha for the students appearing in +2 Science and Commerce examination pursuing studies in the ST & SC Development Department Schools (EMRS & HSS) to ensure quality education at +2 level.

In this regard it is to mention that an Academic Performance Monitoring Cell (APMC)has been set up in SCSTRTI to monitor the Training and Capacity Building of Teachers of SSD Higher Secondary Schools and Ekalabya Model Residential Schools (EMRS) to enhance quality education for better performance of the students appearing +2 Science and Commerce examination.This effort by APMC will certainly help the students to equip themselves for appropriate answering the question in the examination in an efficient manner.

In order to materialize the effort, thebest ofsubject experts of the state have been roped into formulate self-contained and self-explanatory "Work book cumQuestions Bankwith Answers" as per the syllabi of CHSE,Odisha.They have tried to make the material as far as activity based and solution based as possible.This novel effort is first of its kind at +2 level in Odisha.

I would like to extend my thanks to Prof.(Dr.) A.B. Ota, Advisor-Cum-Director and Special Secretary, SCSTRTI and the team of Subject experts for their sincere effort for bringingout the study materials in quick time.

Hope, these study materials will be extremely useful for the students appearing the +2 examination in Science and Commerce of our SSD Schools.

Ranjana Chopra
Principal Secretary
ST & SC Development Department
Govt. of Odisha

PREFACE

The ST and SC Development Department, Government of Odisha, has initiated an innovative effort by setting up an Academic Performance Monitoring Cell (APMC) in Scheduled Castes and Scheduled Tribes Research and Training Institute (SCSTRTI) to monitor the Training and Capacity Building of teachers of SSD Higher Secondary Schools and Ekalavya Model Residential Schools (EMRS) and to ensure quality education of students studying at +2 level under the administrative control of the ST & SC Development Department. This innovative programme is intended to ensure quality education in the Higher Secondary Level of the schools of the ST & SC Development Department.

Since the introduction of +2 Science and +2 Commerce stream by the Council of Higher Secondary Education, Odisha, there was a great demand to cater to the needs of the students appearing the +2 Examination. But no organisation or institute has taken the initiative to fulfil the needs of the students appearing the +2 examination. Realizing the necessities and requirements of students to perform better and secure better marks in the examination and proper pattern of answering the question in a scientific way, the APMC under the banner of SCSTRTI has taken the initiative for the first time in Odisha to prepare Questions Banks in Physics, Chemistry, Botany, Zoology, Mathematics, IT, English & Odia of the Science Stream and all the disciplines of the Commerce stream in line with the Syllabus of the Council of Higher Secondary Education (CHSE).

These questions banks are first of this kind in Odisha, as per syllabi of CHSE and are self contained and self explanatory. The subject expert, who are the best in their respective subjects in the state have been roped in for the exercise. They have given their precious time to make the question banks as activity based and solution based as possible.

I take this opportunity to thank all the subject experts of different subjects for rendering help and assistance to prepare the question banks within a record time. I hope, this material will be extremely useful for the students preparing for the +2 examination in different subjects of Science & Commerce streams.

Prof. (Dr.) A.B. Ota
Advisor cum Director & Special Secretary
SCSTRTI, Govt. of Odisha

COST ACCOUNTING (2nd Year) Syllabus

Objectives :

- To enable students to understand the concept, evolution, objectives, nature of cost accounting with classification of costs, techniques of costing and elements of cost;
- To help the students in preparing cost sheets;
- To enable students to learn the concept, essentials, types of Material Control, Purchasing Procedure and tec niques adopted for purchasing and stores control;
- To acquaint the students with the Labour and Labour Accounting procedure along with the applications of incentive schemes;
- To make the students able to understand concept, classification, allocation & apportionment of overhead; and
- To help the students to learn the process of primary and Secondary Distribution of overheads with applications of direct labour hour rate method, Machine Hour Rate method;

Course Inputs :

Unit-I Introduction to Cost Accounting :

Cost Accounting - Concept, Evolution, Objectives, Nature and Scope, Advantages and Limitations of Cost Accounting, Cost Accounting Vs Financial Accounting, Cost Unit, Cost Centre, Classification of Cost, Methods of Costing, Costing Techniques, Installation of a Costing System, Elements of Cost and preparation of Cost Sheet. (Excluding Tender & Quotation)

Unit-II Material :

Material - Concept, Classfication of Material, Purchase of material: Importance of purchase, Six R's principle, Centralized & Decentralized purchasing, Functions of purchase Department and Procedure of purchasing, Storing of Material: Need for storing, stores Organization, Stores Records : Bin Card, Stores Ledger, Physical Stock Taking, Periodical Stock Taking and Perpetual Inventory System, Pricing of Issue of Materials (FIFO, Weighted Average Methods as per AS-2), Control of Material- Meaning- Need for material control - Techniques of Inventory Control- EOQ, Stock level, ABC Analysis, VED Analysis, Stock Turnover ratio, Material Loss : Concept and Types.

Unit -III Labour :

Labour - Meaning & Definition, Classification, Characteristics of Ideal Wage System- Time Rate, Piece rate Labour Accounting - Time keeping, Time Booking- idle Time-Overtime-Casual Worker & Out Worker Labour Turnover - Meaning, Causes, Effects and Remedial Measures

Incentive Plans - Halsey premium, Halsey & weir, Rowan Premium plan.

Unit-IV Overheads :

Overhead - Meaning, Definition, Classification, Codification, Collection and Departmentalization of Overhead through Allocation and Apportionment, Principles of Apportionment, Bases of Apportionment, Primary Distribution Summary and Secondary Distribution Summary.

Absorption of overhead- Overhead Rate, Methods of absorption of production Overhead-production Unit Method, Percentage on Direct Material, Percentage on Direct Labour, Percentage on Prime Cost, Direct labour Hour Method and Machine Hour Rate Method, Under/Over Absorption of Overhead Meaning, Causes.

QUESTION PATTERN OF CHSE

Theory	:	80 marks
Project Work	:	20 marks
Total	**:**	**100 marks**

Group - A (Objective type - Compulsory)

1. Multiple choice Questions (12 bits from all units) — 1 mark each x 12 = 12 marks

2. One word answer / very short answer / Correct the sentence / fill up the blanks (12 bits from all units) — 1 mark each x 12 = 12 marks

Group B (Short type Answer)

3. Answer within 30 words (out of 13 bits, one has to answer 10 bits) — 2 marks each x 10 = 20 marks

4. Answer within 50 words (out of Six bits, one has to answer Four bits) — 3 marks each x 4 = 12 marks

Group C (Long Answer type)

5. to 9.

Out of Five Questions from all units, one has to answer 3 questions. — 8 marks each x 3 = 24 marks

TOTAL — **80 marks**

CHSE QUESTION PAPERS WITH ANSWERS

2019 to 2017

2019 (A)

Time : 3 hours ***Full Marks : 80***

The figures in the right-hand margin indicate marks.
Carefully follow the instructions given in each Group and each Question

Group - A
All questions are compulsory

1. Answer the following questions as per the instructions under each bit : [1x12=12]

(a) Answer the following questions within one word/term each :

i) Processed raw materials without any recovery value

ii) The rate of change in the composition of the labour force of an organization

iii) Allotment of overhead to cost unit.

(b) Fill in the blanks of the following :

iv) _____ means the amount of expenditure incurred in producing a product or rendering a service.

v) FIFO method is suitable when prices are _____.

vi) When single overhead rate is accepted for the industry as a whole, it is called _____ rate.

(c) Answer the following questions in one sentence each :

vii) What is bill of materials ?

viii) What is job card ?

ix) What is underabsorption of overhead?

(d) Correct the underlined portion of the following sentences :

x) Cost of production + selling and distribution overhead = Factory cost.

xi) The difference between the time as per time card and time as per job card is called overhead.

xii) When actual overhead is less than absorbed overhead, it is under absorption.

2. From the following alternatives given below in each bit, write serially the correct answer along with its serial number : [1x12=12]

(a) One of the following which is not a monetary wage, is

i) Basic wage
ii) Dearness Allownace
iii) Employer's contribution to Provident Fund
iv) Recreational facilities

(b) Benefits of localized purchasing can be availed under

i) Centralised purchasing
ii) Decentralised purchasing
iii) On-line purchasing
iv) Purchasing through agent

(c) The department by which issue of materials is generally valued, is

i) Costing department
ii) Accounts department
iii) Stores department
iv) Purchase department

(d) The process of recording the time spent by each worker on the job is known as

i) Time study
ii) Time keeping
iii) Time booking
iv) Motion study

(e) Factory rent is a/an

i) Production overhead
ii) Selling overhead
iii) Administrative overhead
iv) Distribution overhead

(f) Direct material is Rs.200, direct labour is Rs.300 and factory cost is Rs.1,000. If prime cost is the basis of absorption, the rate absorption of factory overhead is

(i) 50% (ii) 100%

(iii) 200% (iv) 300%

(g) Bin card records

(i) only price
(ii) only quantity
(iii) both price and quantity
(iv) value

(h) Aggregate of direct material, direct labou and direct expenses is known as

i) Total cost
ii) Prime cost
iii) Factory cost
iv) Cost of production

(i) Purchasing process should be initiated when material level reaches at

i) Minimum level
ii) Maxmum level
iii) Danger level
iv) Re-order level

(j) One of the following which is not a method of costing, is

i) Contract costing
ii) Batch costing
iii) Standard costing
iv) Process costing

(k) The formula for calculating bonus under Rowan Plan is

i) $T \times R + 50\%(S - T)R$

ii) $30\%(S - T) \times R$

iii) $\left(\frac{S-T}{S}\right) \times R$

iv) $\left(\frac{S-T}{S}\right) \times T \times R$

(l) Allotment of overheads to a cost centre is

i) Apportionment
ii) Reapportionment
iii) Allocation
iv) Absorption

Group - B

3. Answer any four of the following questions within 50 words each. [3x4=12]

(a) Explain stock turnover ratio

(b) Explain Halsey premium plan

(c) Explain the direct labour cost method of absorption of factory overhead.

(d) State any two differences between Bin card and Stores ledger.

(e) Explain the nature of cost accounting.

(f) Write note on the step distribution method of reapportionment of overhead.

4. Answer any *tne* *of the following questions serially in not more than thirty (3) words each:*

[2x10 =20]

(a) Name two mechanical methods of time-keeping.

(b) Write any two factors to be considered before introducing an incentive plan.

(c) What is Economic Order Quantity ?

(d) What is purchase requisition ?

(e) Explain the objectives of financial accounting.

(f) What is secondary distribution of overhead?

(g) Write any two advantages of time wage system.

(h) If time allowed is 10 hours, time taken is 8 hours and time rate is Rs.10 per hour, find the total earnings under Rowan plan ?

(i) Who are out workers ?

(j) What is Bin card ?

(k) What is cost sheet ?

(l) Define codification of overhead.

(m) State the features of overhead.

Group - C

Answer any three questions from the following : **[8x3=24]**

5. From the following information prepare a statement of cost and profit :

	1.1.2018 Rs.	31.12.2018 Rs.
Stock of Raw Materials	30,000	35,000
Stock of Work-in-Progress	15,000	20,000
Stock of Finished Goods	43,700	54,000
Transaction during the year :		Rs.
Indirect Wage		9,720
Sales		3,25,000
Factory Rent		7,830
Office Salaries		15,030
General Expenses		13,500
Office Rent		2,000
Rent of Showroom		1,200
Purchase of Raw Material		1,20,000
Productive Wages		90,000
Plant Repairs		3,420
Depreciation on Plant		8,360
Salesman Salaries		7,650
Factory Lighting		7,380

6. Calculate machine-hour rate of machine A :

	Rs.
Consumable stores for machine A	600
Consumable stores for machine B	1,000
Repairs for Machine A	800
Repairs for Machine B	1,200
Heat and Light	360
Rent	1,200
Insurance of Building	4,800
Insurance of Machines	800
Depreciation of Machines	700
Room Service	60
General charges	90

Additional Information :

Machine	Working Hours	Area (sq.ft.)	Book value
A	10,000	100	12,000
B	25,000	500	20,000

7. Discuss the advantages and limitations of cost accounting.

8. What is weighted average method of material issue ? Discuss its advantages and disadvantages.

9. A manufacturer buys certain materials from a supplier @ Rs.40 per unit.

He needs 100 units per month. Annual return on investment is 10%. Rent, taxes and insurance per unit per year is 2.5% of the cost per unit. Cost of placing an order is Rs.180. Determine EOQ.

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ANSWERS 2019 (A)

Group - A

1. (a) i) Scrap
   ii) Labour Turnover
   iii) Absorption
   (b) iv) Cost
   v) Falling
   vi) Single / Blanket
   (c) vii) It gives a complete list of all materials required with quantities for a particular job, order or process.
   viii) It is used to keep a close watch on time spent by a worker on each job so that labour cost of a job conveniently ascertained.
   ix) It means the amount by which the absorbed overhead fall short of actual amount of overhead incurred.
   (d) x) Cost of Sales
   xi) Overhead
   xii) Under absorption

2. (a) iv) Recreational facilities
(b) ii) Decentralised purchasing
(c) iii) Stores department
(d) iii) Time booking
(e) i) Production overhead
(f) (iii) 200%
(g) (ii) only quantity
(h) ii) Prime cost
(i) iv) Re-order level
(j) iii) Standard costing
(k) iv) $\left(\frac{S-T}{S}\right)$ x T x R
(l) iii) Allocation

Group - B

3. Answer any four of the following questions within 50 words each.

(a) The stock turnover ratio is one of method of material control which indicate the rate of consumption of a particular material. It points out the fast moving or slow moving materials. The material turnover ratio is calculated as follows :

Material / Stock turnover Ratio =

$$\frac{\text{Cost of material consumed}}{\text{Average stock of material}}$$

Raw material consumed =

opening stock + purchase - closing stock

$$\text{Average stock} = \frac{1}{2}(\text{opening stock} + \text{closing stock})$$

N.B. - High turnover ratio indicates materials used up at faster rate and low turnover ratio indicates slow moving materials.

(b) The Halsey Premium Plan was developed by F.A. Halsey in 1891. It is simply a combination of time and peice rate system under this, a worker is paid at hourly wage for time taken plus a bonus if his performance is better than the accepted standard. The rate of Bonus varies between $33\frac{1}{3}\%$ to $66\frac{2}{3}\%$ of wage of time saved.

Formula :

(i) Wages=

Time Taken x Rate per hour = T x R

(ii) Bonus = $\frac{50}{100}(S-T)R$

(iii) Eaerning = Wages + Bonus

(iv) Effective Wage rate per hour =

$$\frac{\text{Earning}}{\text{Actual time taken}}$$

(c) This is a simple and easy method, widely used in most of concerns.

Overhead Rate =

$$\frac{\text{Production Overhead (budgeted)}}{\text{Anticipated Direct Wages}} \times 100$$

This method is suitable under following circumstances.

This method is suitable under following circumstances :

(i) Where direct labour constitute a major proportion of total cost of production.

(ii) Where production is uniform.

(iii) Where labour employed and types of work performed are uniform.

(iv) Where the ratio of skilled and unskilled labour is constant.

(v) Where there no variation in the rates of pay, is the rates of pay and methods are same for majority of workers in the concern.

(d) **Bin Card**

(1) A recod of Quantities only.

(2) Maintained by the store keeper.

(3) Normally posted just before transaction takes place.

Stores Ledger

(1) A record of both Quantities and values.

(2) Maintained by the costing department.

(3) Always posted after transaction takes place.

(e) 1. It is branch of accounting for costs.

2. It records income and expenditure relating to production of goods and services.

3. It provides information on cost of every job, product, work order, processes etc.

4. It is concerned with cost ascertainment, cost presentation.

(f)
- Under this method the service departments are arranged in order of their importance, and the cost of most serviceable department is first apportioned to other service departments and production departments.
- The next service department is taken up and its cost is apportioned and this process goes on till the cost of last service department is apportioned.
- The cost of last service department is apportioned only to the production department.

4. Answer any *tne of the following questions serially in not more than thirty (3) words each:*

(a) The method are 2 types for recording of time of workers as follows -

(i) Time Recording Clocks : It is a mechanical device which automatically records the time of workers. Each worker is given a time card usually of one week under this method.

(ii) Dial time records : It is a machine which has a dial around the clock. This dial has a number of holes (usually about 150) and each hold bears a number 'Corresponding to identification of worker concerned.

(b) (1) The plan should be simple and easily understood by all workers.

(2) The plan should appear reasonable to employer and employee.

(3) Standard time should be determined on basis of time and motion study.

(4) The system should result in increased production and lower cost of production.

(c) The EOQ refers to (economic lot size) the Quantity to be ordered in one order so that the total of carrying cost and ordering cost will be minimum.

That point occurs when cost of carrying inventoy in the godowon is equal to cost of placing order. It is most favourable quantity that should be purchased each time in order to minimise total cost.

$$EOQ = \sqrt{\frac{2CO}{I}}$$

C = Annual Consumption (in value or units)
O = Cost of placing one order
I = Carrying cost/unit P.a.

(d) A purchase requisition is a form used as a formal requests to the purchasing department to purchase material.

This form is prepared by sotrekeeper for regular stock material and by the departmental head for speical materials not stocked as regular items.

It is prepared in triplicate. The original copy sent to purchasing department, the duplicate kept by storekeeper and triplicate sent to authorising executive.

The purchase requisition is of 2 types : Regular purchase requisition and Specific purchase requisition.

(e) The financial accounting is the branch of accounting which includes monetary transaction to be kept in chronological order for future uses.

The objectives are as follows :

- It provides information towards profit or loss incurred by business in an accounting period.
- It reflects the financial position of the business to owners and other interested parties.
- It keeps the accounts in such a way to meet requirements of Companies Act and Income Tax Act.

(f) The process of redistributing the cost of service departments among production department is known as secondary distribution.

In primary distribution, all overhead costs are distributed over production department as well as service department but now, all overhead of service department are to be apportioned to production department.

This is because of :

- The service department do not themselves manufacture anything.
- The ultimate aim to charge overhead to cost units.
- It helps in calculating correct cost of products/jobs and value the inventory.
- It has 3 methods :
  (i) Direct redistribution
  (ii) Step redistribution
  (iii) Reciprocal Service Method

(g) Under time wage system, workers are paid on the basis of time for which they work. The quality and volume of output they produce are immaterial-payment is made at an hourly, daily or weekly rate.

Advantages -

- It is simple to follow and calculation of wages is easily understood by workers.
- Quantity of work done is not important where as workers can concentrate in quality work.
- As workers are not in a hurry to produce, the less chance of damage to plant & machinery.
- It is economical in use.

(h) S = 10 hrs T = 8 hrs TR = Rs. 10

Earning under Rown Plan =

$$T \times R + \frac{S-T}{S} \times T \times R$$

$$\Rightarrow E = 8 \times 10 + \frac{10-8}{10} \times 8 \times 10 = 80 + \frac{2}{10} \times 80$$

$$= 80 + \frac{160}{10} = 80 + 16 = Rs.96$$

(i)
- Out workers are contractors or employees who perform their work at home or at a place that would not normally be thought of as a business permises.
- They work on textile, clothing or footwear industry.
- These workers paid daily or as soon as the work or job is completed.
- The autoworkers should keep records every time they receiver work and employers have to kep the record too. The expenditure/wages to outworkers treated as direct charges and debited to jobs to which time spent.

(j) This card is generally kept in the bin alongwith particular item. To hold the cord, usually there is a metal holder attached to the bin. These cards are very simple and give details regarding code number, the unit of issues, the quantity of the receipts and issues and the balance remaining in the bin.

It is also known as bin tag or stock card. It is maintained by storekeeper. It is normally posted just before the transaction takes place. Each transaction is individually summarised and posted. It is usually kept inside the stores.

(k) Cost sheet or statement of cost shows the total cost as well as cost per unit for a given period.
- Total cost is calculated in a logical order and under proper divisions of cost.
- It shows the prime cost works cost, cost of production, cost of goods sold, and total cost. It is prepared for a specific period such as week, month, quarter or year.
- It is a statement designed to show output of a particular accounting period alongwith break-up of costs. The cost sheet generally prepared in columnar form.

(l) After the overheads are classified, a code number (short name) should be assigned to each item of expense so that they can be easily distringuished. Code is a short name of an overhead cost.

The technique of assigning code numbers to various overhead expenses is termed as condification.

The code number may be a number or an alphabet or a combination of both. Code numbers otherwise knows as “Standing Order Numbers” for items of factory overhead and “Cost Account Number” for administrative and selling overhead.

Methods of condiciation.

(i) Serial numbering system

(ii) Mnenonic method

(iii) Alpha numeric method

(iv) Numerical codes

(m) Oerhead is aggregate of indirect material, indirect labour and indirect expenses.

Features :-

1. Overheads are operating expenses in the sense that these are essential of smooth running business.
2. These cost can’t be indentified with a specific cost centre or department.
3. These costs are incurred jointly for more than one department or cost centre.
4. These expenses are spread over the heads of all units produced and hense named as overhead.

Group - C

5. From the following information prepare a statement of Cost and Profit.

Statement of Cost and Profit

	Rs.
Opening Stock of RM	30,000
(+) Purchases	(+) 1,20,000
(-) Closing Stock of RM	(-) 35,000
RM Consumed	1,15,000
(+) Productive Wages	(+) 90,000
Prime Cost	2,05,000
(+) Factory overhead (9720 + 7830 + 7380) I.W. F.R. F.L.	(+) 24,930
Factory/works cost incurred	2,29,930
(+) Opening Stock of WIP	(+) 15,000
(-) Closing Stockof WIP	(-) 20,000
Works cost/Manufactured cost	2,24,930
(+) Administrative Overhead (Office Salary + G. Exp. + Office Rent + Rent of showroom + Plant Repairs + Depnon plant) (15030+13500+2000+1200+3420+8360)	43,510 (+)
Cost of production	2,68,440
(+) Opening Stock of F.G.	(+) 43,700
(-) Closing Stock of F.G.	(-) 54,000
Cost of goods sold	2,58,140
(+) Salesman salaries	(+) 7650
Cost of sales	2,65,790
(+) Profit	(+) 59,210
Sales	3,25,000

6. **Calculation of Machine Hour Rate**

Items of overhead	P.a (₹)	P.h (₹)
A Standing Charges		
Consumable Stores for Machine A	600	
Heat and light (Floor area) $360 \times \frac{100}{600}$	60	
Rent (floor area) $1200 \times \frac{100}{600}$	200	
Insurance of building (Floor area) $4800 \times \frac{100}{600}$	800	
Insurance of machines (Book values) $800 \times \frac{1200}{3200}$	300	
Room Services (floor area) $60 \times \frac{100}{600}$	10	
General Charges (floor area) $90 \times \frac{100}{600}$	15	----
Total Standing Charges	1985	
Machine Expenses		
Depreciation $700 \times \frac{1200}{32000}$	262.5	
	800	
Repair for machine A	1062.5	
Total (a) + (b)	3047.5	
Working hours	10000	
Machine hour rate		0.30475

7. Cost Accounting is the clarifying, recording and appropriate allocation of expenditure for the determination of the costs of products or services, and for the presentation of suitably arranged data for purposes of control and guidance of management.

Advantages of Cost Accounting

Cost Accounting has numerous advantage but the extent of advantage will depend on fact how effectively the Costing System works in the organisation.

1. Advantages to Management
- Discloses Profitable and Non-profitable activities
- Measures the efficiency
- Helps in cost control
- Helps in cost reduction and profit maximisation
- Helps in decision making
- Best use of limited resources
- Determination of Prices
- Guides future prediction policies and expansion
- Application of cost audit
- Check on financial accounting

2. Advantages to creditors and investors
3. Advantages to government
4. Advantages to consumers
5. Advantages to workers
6. Advantages to the economy

Limitations of Cost Accounting

1. Expensive
2. Duplication of work
3. Unsuitability
4. A Failure
5. Lack of uniformity in procedure
6. Too much flexibility
7. Large number of conventions, estimates.

8. A price which is calculated by dividing the total cost of materials in the stock from which the materials to be priced could be drawn by the total quantity of materails in that stock known as Weighted Average Method.

(CIMA, London)

The weighted average price takes into account the price and quantity of materials in store.

In periods of heavy fluctuations in the price of materials, the average cost method gives better result because it tends to smooth out fluctuation in the prices by taking the average of prices of various lots in stock.

Weighted average price =

$$\frac{\text{Total cost of material in stock}}{\text{Total quantities of material in stock}}$$

Advantages

1. This method recovers the cost of material from population.
2. When price variations are wide, this method smoothes out the effect of flucuation in price.
3. Issue price is calculated at the time of each new purchase not at every issue.
4. Closing stock under this method reflects a fair value which can be used in preparation of financial statement.
5. No underlised profit or loss arises under this method.

Disadvantages

1. This method involves may calculations if purchases are made frequently. The average price becomes a fraction in most of cases.
2. Issue price may not reflect the current the current market price.
3. Excessively high or low price paid in the past are refelected in the average price for a considerable time eventhough that material has been consumed.
4. Issue rate is calculated when a new purchase is made eventhough there is no issue.

9. C = Annual Demand = 100 units x 12 = 1200 units.

O = Cost of placing in order = Rs. 180/-

Carrying Cost = Amount of interest investment + Rent, taxes and Insurance = 10% + 2.5% = 12.5%

I = Annual carrying cost per Unit = 12.5% of unit price = 12.5% of Rs.40 = Rs.5/-

$$EOQ = \sqrt{\frac{2CO}{1}}$$

$$= \sqrt{\frac{2 \times 1200 \times 180}{5}} = \sqrt{86400}$$

$$= 293.93 = 294 \text{ units.}$$

***

2018 (A)

Time : 3 hours ***Full Marks : 80***

The figures in the right-hand margin indicate marks.
Carefully follow the instructions given in each Group and each Question

Group - A
All questions are compulsory

1. From the following alternatives given below in each bit. Write serially the correct answer along with its serial number: [1x12=12]

(a) Cost Accounting is based on:
- (i) Estimated figure
- (ii) Actual figure
- (iii) Historical figure
- (iv) Imaginary figure

(b) Cost of production of production is equal to:
- (i) Prime cost plus works cost
- (ii) Works cost plus Administrative cost
- (iii) Prime cost plus Administrative cost
- (iv) Total cost minus prime cost

(c) When cost price is Rs. 800 and profit on sale is 20% the profit shall be:
- (i) ₹ 160
- (ii) ₹ 80
- (iii) ₹ 100
- (iv) ₹ 200

(d) The one of the following which is not direct material?
- (i) Raw material
- (ii) Primary packing material
- (iii) Consumable stores
- (iv) Parts on components specifically purchased

(e) The purchase requisition is generally prepared in:
- (i) Duplicate
- (ii) Triplicate
- (iii) Quadruplicate
- (iv) Five copies

(f) While computing the effective working hours, the time to be deducted from gross hour is:
- (i) Maintenance Time
- (ii) Normal loss of working hour
- (iii) Unproductive setting up time
- (iv) Productive setting up time

(g) Spoilage is
- (i) Rectifiable
- (ii) Non-rectifiable
- (iii) Measurable
- (iv) Im-measurable

(h) In Halsey Plan the portion of the wages of time saved, paid as bonus is:
- (i) 1/4
- (ii) 1/4 to 1/3
- (iii) 1/3 to 2/3
- (iv) 1/2

(i) Stores Department is an example of :
- (i) Service Department
- (ii) Production Department
- (iii) Main Department
- (iv) Advertisement Department

(j) Canteen Expenses are apportioned on the basis of:
- (i) Direct wages
- (ii) Number of workers
- (iii) Area of Department
- (iv) Technical Estimate

(k) Rents and Rates come under:

(i) Fixed overhead

(ii) Variable overhead

(iii) Semi-variable overhead

(iv) Semi-fixed overhead

(l) Ware housing cost belongs to:

(i) Office overhead

(ii) Distribution overhead

(iii) Material cost

(iv) Direct cost

2. Answer the following questions as per the instructions under each bit: [1x12=12]

(a) Fill up the blanks of the following:

(i) _____ costing is suitable for readymade Garment.

(ii) Supervisor's salary is _____ overhead.

(iii) The fixed overheads rate _____ when production decreases.

(b) Correct the ***underlined*** portion of the following sentences.

(iv) Process costing is applicable for mines.

(v) The level at which normal issues of the material are stopped is known as minimum Level.

(vi) Painting and stationery expenses are factory overhead.

(c) Answer the following questions within one word/term each:

(vii) Which costing is a variant of job costing?

(viii) What is the purpose of clock card method?

(ix) What type of overhead is carriage-outward?

(d) Answer the following questions in one sentence each:

(x) What type of overhead is Discount?

(xi) What d you mean by indirect material?

(xii) Who is a casual worker?

Group - B

3. Answer any *ten* of the following questions serially in not more than thirty words each: [2x10=20]

(a) What do you mean by Cost Driver?

(b) What is under-absorption?

(c) Name the classification of cost according to time.

(d) Define Cost Accountancy.

(e) What is Sunk Cost?

(f) What is overtime?

(g) Define overhead apportionment.

(h) What is Labour turnover?

(i) What do you mean by Average stock Level?

(j) What is V.E.D analysis?

(k) What is normal wastage?

(l) What do you mean by selling overhead?

(m) What is Premium Plan?

4. Answer any *four* of the following questions in not more than fifty words each: [3x4=12]

(a) State the advantage of Cost Accounting.

(b) What are the objectives of Material Control?

(c) What do you mean by Centralised purchasing?

(d) Differentiate between Time keeping and Time Booking.

(e) What are the causes of over-absorption of overhead?

(f) State the characteristics of Direct Labour.

Group - C

Answer any three questions from the following : [8x3=24]

5. Discuss the objectives of 'Cost Accounting'.

6. Analyse the principles of Purchasing.

7. The standard time allowed for a job is 200 hours. The hourly rate of wage is Rs. 10, plus a dearness allowance of Rs.5 per hour worked. The actual time taken by a worker was 160 hours.

   Calculate the total wages according to:

   (a) Halsey plan

   (b) Rowan Plan

8. From the following information, prepare cost and profit per unit for March, 2017:

Raw material consumed	₹ 1,02,000
Direct wages	₹ 29,000
Factory overhead-	80% of direct wages
Office overhead-	10% of Works Cost
Selling and Distribution Overhead-	₹ 2 per unit
Unit sold/produced-	10,000 units
Profit-	20% on cost of sales

9. Apportion the following expenditures/overheads of a factory among its three departments named as 'X','Y','Z':

	₹
Rent	66,000
Lighting	27,000
Supervision	22,500
Depreciation	45,000

Additional information:

Particulars	X	Y	Z
Area (Sq. Meter)	1500	800	700
Number of Lights	50	40	60
No of workers	30	20	10
Machinery (Rs.)	90,000	60,000	50,000

***

ANSWERS 2018 (A)

Group - A

1.(a) (iii) Historical figure
(b) (ii) Works cost plus Administrative cost
(c) (iv) ₹ 200
(d) (iii) Consumable stores
(e) (ii) Triplicate
(f) (iii) Unproductive setting up time
(g) (ii) Non-rectifiable
(h) (iii) 1/3 to 2/3
(i) (i) Service Department
(j) (ii) Number of workers
(k) (i) Fixed overhead
(l) (ii) Distribution overhead

2.(a) (i) Batch
(ii) Factory
(iii) Increases
(b) (iv) Process Costing
(v) Minimum level
(vi) Administrative
(c) (vii) Process Costing
(viii) Time rcecording
(ix) Distribution overhead
(d) (x) Discount is a selling overhead.

(xi) Besides direct materials, materials of minor improtance used in making a finished product is known as indirect material.

(xii) A casual worker is a worker on a temporary employment contract with generally limited entitlement to benefits and little or no security to employment.

Group - B

3.(a) A cost driver is the unit of an activity that causes the changes in activity's cost. Accurate cost determination is facilitated by establishing cause and effect relationship through cost drivers.

(b) If more actual overhead costs were incurred than expected, with the difference being charged to expenses as incurred is known as under absorption.

(c) Cost according to time is 2 types :

(i) Historical costs : The past costs or the costs which have already been incurred are termed as historical costs.

(ii) Predetermined cost : The costs which are estimated well in advance of actual production are called predetermined cost.

(d) It is the application of costing and cost accounting principles, methods and techniques to the Science, Art and Practices of cost control and the ascertainment of profitability.

(e) It is a cost that an entity has incurred and which it can no larger recover.

or

A sunk cost is a cost that has already been incurred and can't be recovered.

(f) Time worked in addition to one's normal working hours. The time put in by employees beyond normal working hours is called overtime.

(g) It is defined as the allotment to two or more cost centres of proportions of the common items of cost of the estimated basis of benefit received.

(h) It denotes the percentage change in labour force of an organisation. The frequent changes occurs due to change in recruitment of new worker and workers leaving the organisation.

(i) When materials are issued at average cost of materials in store on the date of issue. It may be calculated on simple arithmatic average or weightage/weighted arithmatic average method.

(j) VED stands for vital, essential and desirable. The VED analysis is used primarily for control of spare parts.

(k) It is the loss which is unavoidable on account of inherent nature of material.
For ex. wastage due to loading and unloading of material.

(l) Those expenses which are incurred in seeking to create and stimulate demand and of securing orders.
For ex. sales office stationery, packing material, samples.

(m) Under this, a standard time is fixed for completion of a specific job or operation and worker is paid for time taken by him to complete the job or operation at an hourly rate plus wages, for a certain faction of time saved on the standard by way of bonus.

4.(a) (i) Discloses profitable and unprofitable activities.

(ii) Measures the efficiency

(iii) Helps in cost control.

(iv) Helps in cost reduction and profit manimisation.

(b) (i) Availability of materials : Minimum quantity of each material is field in order to avoid stockout situation.

(ii) Minimum wastage : There should be minimum possible wastage of material while these are being stored in godowns by storekeeper or used in factory by workers.

(iii) Readily information about availability of material.

(c) (i) It means that all the purchase functions are routed through one department.

(ii) All purchases should be made by the purchase department to avoid duplication, overlapping and the non-uniform procurement.

(iii) It helps in timely and suitable purchasing.

(d) **Time Keeping**

(i) It is recording of time spent by worker on different jobs or work orders carried out by him during his period of attendance in factory.

(ii) It uses 3 documents - Daily time sheet, weekly time sheet, job ticket or job cards.

Time Booking

(i) It is recording of time of workers for purpose of attendance & wage calculation.

(ii) It has 2 method - Manual method and mechanical method.

(e) (1) The total overheads actually incurred for a department may be more or less than the amount estimated because of error in estimating.

(2) The actual hours worked may be more or less than hours anticipated.

(3) Work on progress might not have been charged with its share of overheads in cost accounts.

(f) (1) Labour engaged on the actual production of the product in carrying out an operation or process.

(2) Labour engaged in ading the manufacture by way of supervision, maintenance, tools setting, transportation of materials etc.

(3) Inspectors, analysts etc. specially required for such production.

Group - C

5. (i) To ascertain the cost per unit of the different products manufactured by a business conern.

(ii) To provide a correct analysis of cost both by processes or operation and by different elements of cost.

(iii) To disclose sources of wastage whether of material, time or expenses or in the use of machinery, equipment and tools and to prepare such reports which may be necessary to control such wastes.

(iv) To provide requisite data and serve as a guide for fixing price of products manufactured or service rendered.

(v) To ascertain profitability of each of products and advise the management as to how these profits can be maximised.

(vi) To exercise effective control of stocks of raw materials, work in progress, consumable stores and finished goods in order to minimise the capital locked up in these stocks.

(vii) To advise management on future expansion policies and proposed capital project.

(viii) To help in preparation of budgets and implementation of budgetary control.

(ix) To guide management in formulating and implekenting incentive plans.

6. The principle of efficient purchasing are Right Quality, Right Quantity, Right Time, Right Price, Right Source and delivery at Right Place.

(i) Right Quality : The company must purchase raw material only of right quality which may depend on the circumstances of each case. The quality depicts fitness, merit, excellence. The right quality is the suitability of an item for a given purpose.

(ii) Right Quantity : The buyer must purchase the right quantity i.e., the economic order quantity, where the cost of carrying and cost of ordering will be least. $EOQ = \sqrt{\frac{2CO}{i}}$. Small quantities purchased from stockist and large quantities should be purchased from manufacturers.

(iii) Right Time : In case of regular item, when stock reaches ordering level is the right time of purchasing. If earlier and/or later items are purchased may cause hurdle in production, lead to over stocking or under stocking.

(iv) Right Price : Purchases must be made at right price, i.e. the price which gives ultimately lowest cost. The buyer should keep eye over all factors like demand and supply, quantity & quality, availability, delivery schedules and emergency requirements and every effort to make pruchase at right price as success of business depens on it.

(v) Right Source : While selecting right sources, the buyer/purchaser must keep considerations towards right quality, deliveries on time and fair prices. It also helpful in maintaining personal contract between buyer and seller and in getting better after sale services.

(vi) Right Place : The buyer must took look over to right place for purchasing. It means that convenient from the point of view of location of stores and/or plant location. Bulky material should be made available to near plants by supplier to avoid unnecessary delay and reduce transport cost.

7.(a) **Halsey plan**

S = 200 hrs. T=160 hrs.

R=Rs.10 Ph, DA = Rs. 5 Ph.

Total Wages = T x R +% (S - T) R

$$= 160 \times 10 + \frac{50}{100}(200 - 160) \times 10$$

$$= 1600 + \frac{50 \times 40 \times 10}{100} = 1600 + 200 = 1800$$

Add : Dearness Allowance - 160x5 = 800

Total earnings **₹ 2600**

(b) **Rowan Plan**

$$\text{Total Wages} = T \times R + \frac{S - T}{S} \times T \times R$$

$$= 160 \times 10 + \frac{200 - 160}{200} \times 160 \times 10$$

$$= 1600 + \frac{40}{200} \times 1600$$

$$= 1600 + 320 = 1920$$

Add : Dearness Allownace - 160 x 5 = 800

₹ 2720

8. Statement of Cost and Profit

	Amount (₹)	Per Unit (10000 units)
Raw material consumed	1,02,000	10.20
Add : Direct wages	29,000	2.90
Primce Cost	**1,31,000**	**13.10**
Add : Factory overhead- (80% of direct wages)	23,200	2.32
Works Cost	**1,54,200**	**15.42**
Add : Office overhead- (10% of Works Cost)	15,420	1.54
Cost of Production	**1,69,620**	**16.96**
Add : Selling and Distribution Overhead- (₹ 2 per unit x 10000)	20,000	2.00
Cost of Sales	**1,89,620**	**18.96**
Add : Profit	37,924	3.79
Sales	**2,27,544**	**22.75**

Working Note :

Factory overhead $= \frac{80}{100} \times 29000 = 23200$

Office Overhead $= \frac{10}{100} \times 154200 = 15420$

Profit $= \frac{20}{100} \times 189620 = 37924$

Profit per Unit $= \frac{37924}{10000} = 3.79$

Cost per unit $= \frac{189620}{10000} = 18.96$

9.

Sl. No.	**Items of Overhead**	**Basis of Apportionment**	**Total**	**X**	**Y**	**Z**
1.	Rent	Area	66000	33000	17600	15,400
2.	Lighting	No. of lights	27000	9000	7200	10,800
3.	Supervision	No. of Workers	22500	11250	7500	3750
4.	Depreciation	Machinery Value	45000	20250	13500	11250
		Total	160500	73500	45800	41200

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2017 (A)

Time : 3 hours ***Full Marks : 80***

The figures in the right-hand margin indicate marks.
Carefully follow the instructions given in each Group and each Question

Group - A
All questions are compulsory

1. From the following alternatives given below in each bit. Write *serially* the correct answer along with its serial number, against each bit: [1x15=15]

(a) Bin card is maintained by:
- (i) Personal Department
- (ii) Purchase Department
- (iii) Production Department
- (iv) Stores-keeping Department

(b) Depreciation of factory building is:
- (i) Distribution overhead
- (ii) Factory overhead
- (iii) Selling overhead
- (iv) Office overhead

(c) General Manager's salary is:
- (i) Distribution overhead
- (ii) Selling overhead
- (iii) Administrative overhead
- (iv) Factory overhead

(d) Bad debt is :
- (i) Factory overhead
- (ii) Administrative overhead
- (iii) Distribution overhead
- (iv) Selling overhead

(e) Direct material cost is a :
- (i) Semi-fixed cost
- (ii) Semi-variable cost
- (iii) Variable cost
- (iv) Fixed cost

(f) ABC analysis is also called:
- (i) Ask for better control
- (ii) Always better control
- (iii) Always better cost
- (iv) Always better comparison

(g) FIFO method of pricing material issues is suitable, when:
- (i) Price falls
- (ii) Price rises
- (iii) Price remain fixed
- (iv) Price fluctuates

(h) The number of copies, in which goods received note is prepared is :
- (i) 6 (ii) 5
- (iii) 4 (iv) 3

(i) Piece-rate system of wage payment is most suitable, where:
- (i) It is difficult to measure the quantity of work done
- (ii) Output of the worker is beyond his control
- (iii) The quantity of work done can be precisely measured
- (iv) The quality of production is more important than quantity

(j) The material loss in the finished product stage is known as:
- (i) Wastages (ii) Defective
- (iii) Spoilage (iv) Scrap

(k) The classification into indirect material, indirect labour and indirect expense is the Result of:
- (i) Element-wise classification
- (ii) Behaviour-wise classification
- (iii) Industry-wise classification
- (iv) Function-wise classification

(l) Carriage inward is a part of:
- (i) Selling on cost
- (ii) Office on cost
- (iii) Manufacturing on cost
- (iv) Prime cost

(m) Idle time is classified as:
- (i) Controllable and uncontrollable
- (ii) Fixed and variable
- (iii) Normal and abnormal
- (iv) Direct and Indirect

(n) Calculation of overheads as a percentage on direct labour is a method of:
- (i) Re-apportionment of overheads
- (ii) Allocation of overheads
- (iii) Apportionment of overheads
- (iv) Absorption of overheads

(o) Wage analysis sheet is prepared by:
- (i) Cost Accounting Department
- (ii) Pay-roll Department
- (iii) Time keeping Department
- (iv) Production Department

2. Answer the following questions as per instructions under each bit: [1x15=15]

(a) Express each of the following in **one** word/term:
- (i) Name of the direct material for wooden furniture.
- (ii) The type of overhead under which come Advertisement expenses.
- (iii) The number of copies, the purchase requisition is usually prepared
- (iv) The person maintains stores Ledger.

(b) Answer the following questions within one sentence each:
- (v) What is prime Cost?
- (vi) What is the full form of EOQ?
- (vii) Under which market condition is LIFO method of pricing issue of materials Preferred?
- (viii) What is manufacturing overhead?

(c) Correct the underlined portion of the following sentences:
- (ix) Depreciation of delivery van is <u>office</u> overhead.
- (x) Usually under-absorption of overheads <u>increases</u> the cost of the product.
- (xi) Sand paper used in making wooden furniture, is <u>direct</u> material.
- (xii) Prime cost plus 'factory overhead' is <u>total</u> cost.

(d) Fill up the blanks of the following sentences:
- (xiii) Power is a _____ cost.
- (xiv) Selling and distribution overheads added to cost of production is ___cost.
- (xv) Salary to salesman is _____ overhead.

Group - B

3. Answer any eleven of the following questions within two sentences each: [2x11=22]

(a) Give the two examples of Semi-variable Cost.

(b) Write any two objectives of Cost Accounting.

(c) What is the meaning of Cost Unit?

(d) What is a job card?

(e) What is meant by 'Casual Worker'?

(f) State any two examples of function-wise classification of cost.

(g) What do you mean by 'Cost centre'?

(h) Name any two 'element-wise' classification of cost.

(i) Define Cost Accounting.

(j) What is meant by Bill of Materials?

(k) Define overhead.

(l) What is centralised Purchasing?

(m) What is a sub-store?

(n) What is meant by over-absorption?

4. Answer any six of the following questions within six sentences each: [3x6=18]

(a) Mension any three advantages of FIFO method of pricing issue of materials.

(b) Write any six causes of Labour turnover.

(c) What are the special features of Halsey premium Plan?

(d) Distinguish between Allocation and Apportionment of overheads.

(e) Write any three limitations of cost Account.

(f) What do you mean by Idle Time?

(g) What is direct labour hour rate Method of absorption of overheads.

(h) What is the importance of minimum stock level?

Group - C

Answer any four of the following questions **[$7^{1}/_{2}$ x 4 = 30]**

5. Distinguish between Cost Accounting and financial Accounting.

6. Make a comparison between Bin Card and Stores Ledger.

7. Discuss the essential features of a good system of wage payment.

8. From the following particulars, prepare a cost sheet showing:
   (i) The cost of materials consumed
   (ii) Prime cost
   (iii) Cost of production
   (iv) Total cost
   (v) Profit

	₹
Stock of raw materials on 01.01.2015	61,700
Work-in-progress on 01-01-2015	1,21,700
Purchase of raw materials	2,86,500
Direct wages	3,57,000
Factory overhead	2,85,600
Administrative overhead	2,25,400
Stock of raw materials on 31.12.2015	75,400
Work-in-Progress on 31.12.2015	1,35,500
Sale during the year	17,21,250

9. Compute the Machine hour rate from the following data:

	₹
Cost of machine	2,00,000
Installation charges	20,000
Estimated scrap value after the expiry of its life (15 years)	10,000
Rent and rates for the shop for the month	400
General lighting for the shop per month	600
Insurance premium for the machine per annum	1,920
Repairs and maintenance expenses per annum	2,000
Power consumption 10 units per hour	2,200
Estimated working hours per annum (Including setting up time of 200 hours)	
Rate of power per 100 units	40
Shop supervisor's salary per month	1,200

The machine occupies ¼ th of the total area of the shop. The supervisor is expected to devote 1/5th of its time for supervising the machine.

10. The following information relate to the purchase and issue of materials for March, 2016. Prepare a stores Ledger using FIFO method of pricing and find out the value of closing stock:

March, 2016

March	1	Opening stock 500 units @ Rs. 50 per unit
March	2	Received 3,000 units @ 48 per unit
March	5	Issued 1,000 units
March	10	Received 2,000 units @ Rs. 51 per unit
March	14	Received 2,500 units @ Rs. 51 per unit
March	20	Issued 1,500 units
March	25	Received 3,500 units @ Rs. 52 per unit
March	30	Issued 4,000 units.

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ANSWERS 2017 (A)

Group - A

1.(a) (iv) Stores-keeping Department
(b) (ii) Factory overhead
(c) (iii) Administrative overhead
(d) (iv) Selling overhead
(e) (iii) Variable cost
(f) (ii) Always better control
(g) (i) Price falls
(h) (ii) 5
(i) (iii) The quantity of work done can be precisely measured
(j) (ii) Defective
(k) (i) Element-wise classification
(l) (iv) Prime cost
(m) (iii) Normal and abnormal
(n) (iv) Absorption of overheads
(o) (ii) Pay-roll Department

2.(a) (i) Timber
(ii) Selling and Distribution Overhead
(iii) Three copies i.e. (Triplicate)
(iv) Cost Accountant

(b) (v) It is the sum total of Direct material Direct Labour and Direct Expenses.
(vi) The full form of EOQ is Economic Order Quantity.
(vii) LIFO method of pricing issue of materials is preferred when prices are rising.
(viii) These are the indirect expenses of operating the manufacturing division of a concern. Example - Coal and fuel and grease etc.

(c) (ix) Selling and Distribution overhead.
(x) Decreases
(xi) Indirect material
(xii) Factory cost

(d) (xiii) variable / product
(xiv) cost of sales or total cost
(xv) selling overhead

Group - B

3.(a) Two examples of semivariable costs are telephone expenses, depreciation etc.

(b) (i) To ascertain the cost per unit of different products manufactured by a business concern.
(ii) To provide requisite data and serve as a guide for fixing price of products manufactured or services rendered.

(c) Its a device for the purpose of breaking up or sepearting cost inot smaller sub-divisions attributable to products and services. In other words, it is the unit of quantity of product, service or time in relation to which costs may be ascertained e.g. tonne in case of coal.

(d) A job card issued to keep a close watch on the time spaent by a worker on each job. It helps in ascertaining the labour cost conveniently.

(e) Every business house keeps a regular labour force to meet its requirements. Sometimes due to extra work, additional workers have to be employed for a few days or hours. Such workers are known as casual workers.

(f) (i) Stationery and Postage in general office (office and administrative oveheads).
(ii) Travelling expenses of salesman (selling overheads).

(g) A cost centre is the smallest segment of activity or area or responsibility for which costs are accumulated. A cost centre can be a location i.e. an area such as department or an item of equipment e.g. lather macine or person, salesman etc.

(h) (i) Indirect material
(ii) Direct Material

(i) Cost Accounting is the classifying, recording and appropraite allocation of expenditure for the determination of costs of products or services and for the presentation of suitably arranged data for purposes of control and guidance of the management.

(j) A bill of materials gives a complete list of all materials required with quantities for a particular job, order or process. This bill serves the purpose of material requisition and all materials listed on the bills are sent to the production department.

(k) CIMA defines indirect cost of overhead as "expenditure on labour material or services which can't be economically identified with a specific saleable cost per unit.

(l) Centralised Purchasing means that all the purchases functions are routed through one department. Purchasing should be centralized i.e. all purchases should be made by the purchase department to avoid duplication overlapping etc.

(m) Generally in large factories, departments are situated at a distance from the central store. In such a situation to keep the transportation costs and handling charges to minimum, substores in addition to central stores should be situated near production department.

(n) If the amount absorbed is more than the expenditure incurred due to actual expenses being less than the estimates, it would mean overabsorption of overhead. It will inflate the costs. In otherwords overabsorption of overhead means the excess of overhead absorbed over the actual amount of overhead incurred.

4.(a) (i) It is simple to understand and easy to cooperate.

(ii) This method is useful when prices are falling.

(iii) Closing stock of materials will be valued at the market price, because under this method closing stock would consist of recent purchase of materials.

(b) (i) Retirement due to oldage (personal cause)

(ii) Death (personal cause)

(iii) Dislike for the job or place (personal cause)

(iv) Long hours of work (avoidable cause)

(v) Lack of promotion opprotunities (avoidable cause)

(vi) Lack of medical transport facilities (avoidable causes)

(c) (i) Guarantee for wages for Actual Time. It guarantees time wages to workers because wages for actual time are assured.

(ii) Reduction in labour cost

(iii) Reduction in fixed overhead cost per unit.

(d) **Allocation**

(1) It means the allotrment of whole items of cost to cost centres or cost-unit.

(2) It deals with the whole items of cost.

(3) Cost is directly allocated to any cost centre or cost unit.

Apportionment

(1) It means allotment of proportion of items of cost to cost centres or cost units.

(2) It deals with only proprotion of items of cost.

(3) It needs a suitable bases for sbdivision of cost by cost centres or cost units.

(e) (i) Cost Accounting lacks a uniform procedure.

(ii) Cost Accounting lacks a uniform procedure.

(iii) Many formalities are to be observed by a small and medium size concerns.

(f) Idle time is the difference between the time for which employees are paid and the employee's time booked against the cost objective.

It is difference between the time booked to different jobs or work order and gate time.

(g) This rate is obtained by dividing the production overhead expenses by the aggreage of poductive hours of direct workers. The formula is

$$\text{Overhead rate} : \frac{\text{Production Overhead Expenses}}{\text{Direct Labour Hours}}$$

(h) (i) This level is fixed, a minimum quantity of material is always maintained.

(ii) When minimum level or safety stock level is fixed, then production will never held up due to shortage of materials.

(iii) It will help in fixing up lead time correctly.

Group - C

5.

Sl. No.	Point of Distinction	Financial Accounting	Cost Accounting
1	Purpose	It provide information about the business in a general way.	It provides information to management for proper planning, operation control and decision making.
2	Forms of Accounts	These accounts are kept in such a way as to meet the requirements of Companies Act and Income Tax Act.	These accounts are generally kept voluntarily to meet the requirements of management.
3	Recording	It classifies, records and analysies the transactions in a subjective manner i.e. according to the nature of expenses.	It records the expenditure in an objective manner i.e. according to the purpose for which costs are incurred.
4	Control	It lays emphasis on the recording aspect without attaching any importance to control.	It provides a detailed system of control for materials, labour and overhead costs with the help of standard costing and budgetary control.
5	Periodicity of reporting	It reports operating results and financial position usually at the end of the year.	It gives information through cost reports to management as and when desired.
6	Analysis of profit	Financial accounts are the accounts of the whole business.	Cost accounting is only a part of the financial accounts and disclose profits or loss of each product, job or service.
7	Reporting of costs	The costs are reported in aggregate in financial accounts.	The costs are broken down on a unit basis in cost accounts.
8	Information	Monetary information is only used.	Non-monetary information like units is also used.

6.

	Bin Card		Store Ledger
1.	It is a record of quantities only.	1.	It is a record of both quantities and value.
2.	It is maintained by store keeper.	2.	It is maintained by the costing department.
3.	Normally posted just before the transaction takes place.	3.	Always posted after the transaction takes place.
4.	Each transaction is individually summarized and posted.	4.	Transactions may be posted periodically.
5.	It is usually kept inside the stores.	5.	It is usually kept outside the stores.
6.	Bin card has an 'extra goods on order' column apart from Receipt, Issue and Balance Column.	6.	Store Ledger has no such column.

7. A wage system will be treated as fair, if it has the following features.

(i) The system should be fair both to the employer and the employee.

(ii) Guaranteed Minimum Wages - The worker should be assured of guaranteed minimum wages at satisfactory level irrespective of the work done by him.

(iii) Simple : The method should be simple & capable of being understood by the workers.

(iv) The system should keep in view the wage rate in the same area or industry.

(v) No violation of Agreement - The system should not violate any local or natural trade union's agreement.

(vi) Minimum labour turnover - The system should be such as to minimise, labour turnover, late attendance and absenteeism.

(vii) Flexible - The system should be flexible to allow necessary changes which may arise.

(viii) Assurance of Equal Pay for equal work. The system should ensure equal pay for equal work.

(ix) Payment on merit basis. Workers should be paid according to their merits.

8.

	Particulars	**Units produced**
		Total Cost
	Opening stock of Rawmaterials (1.1.15)	61,700
	Add : Purchase of Raw Material	2,86,500
		3,48,200
	Less : Closing stock of Raw Materials (31.12.15)	75,400
(i)	Cost of Raw Material consumed	2,72,800
	Add : Direct Wages	3,57,000
(ii)	Prime Cost	6,29,800
	Add : Factory overhead	2,85,600
	Factory cost incurred	9,15,400
	Add : Opening Stock W.I.P. (1.1.15)	1,21,700
		10,37,100
	Less : Closing stock of WIP (31.12.15)	1,35,500
	Factory cost	9,01,600
	Add : Administrative overhead	2,25,400
(iii)	Cost of production	11,27,000
	Add : Selling and distribution overhead	Nil
(iv)	Cost of Sales / Total Cost	11,27,000
(v)	Profit (Bal. figure)	5,94,250

	Sales	**17,21,250**

9. **Compuation of MHR**

Particulars	**P.a (₹)**	**Per hour (₹)**
(A) Standing charges		
Depreciation $= \frac{C + I - S}{N}$		
$\frac{200000 + 20000 - 10000}{15} = \frac{210000}{15}$	14,000	
Rent : Rates for the shop (@400 pm x 12) $= \frac{4800}{4}$	1200	
General lighting for the shop (@600 pm x 12) $= \frac{7200}{4}$	1800	
Insurance	1920	
Repair and maintenance	2000	
Supervisors salary (1200 pm x 12) x 1/5	2880	
Total standing chatges p.a.	**23,800**	
Standing charges per hour $\frac{23,800}{2000}$		11.90
(B) Machine Expense		
Power $= \left(\frac{40}{100} x 10 \text{units}\right)$		4.00
M.H.R. (A) + (B)		**15.90**

10. **Stores Ledger Account (When materials are issued acording to FIFO Method)**

Date	Particulars	Receipts			Issue			Balance		
		Quantity	Rate per unit	Amount ₹	Quantity	Rate per unit	Amount ₹	Quantity	Rate per unit	Amount ₹
2016										
March 1	Balance b/d	-	-	-	-	-	-	500	50	25,000
March 2	G.R.N.-1	3000	48	1,44,000	-	-	-	500	50	25000
								3000	48	1,44,000
March 5	S.R.N.-1	-	-	-	500	50	25,000	-	-	-
					500	48	24,000	2500	48	1,20,000
March 10	G.R.N.-2	2000	51	1,02,000	-	-	-	2500	48	1,20,000
								2000	51	1,02,000
March 14	G.R.N.-3	2500	51	1,27,500	-	-	-	2500	48	1,20,000
								2000	51	1,02,000
								2500	51	1,27,500
Marh 20	S.R.N.-2	-	-	-	1500	48	7200	1000	48	48000
								2000	51	1,02,000
								2500	51	1,27,500
March 25	G.R.N.-4	3500	52	1,82,000	-	-	-	1000	48	48,000
								2000	51	1,02,000
								2500	51	1,27,500
								3500	51	1,82,000
March 30	S.R.N.-3	-	-	-	1000	48	48000	-	-	-
					2000	51	1,02,000			
					1000	51	51,000			
March 31	Bal c/d	-	-	-	-	-	-	1500	51	76,500
								3500	52	1,82,000
								1500	51	76,500
								3500	52	1,82,000
								5000		**2,58,500**

∴ So value of closing stock 5,000 unit and ₹2,58,500.

***

GROUP - A

OBJECTIVE TYPE QUESTIONS

Unit-I
COST SHEET

1. Cost accounting is useful for :
   (a) Ascertaining financial position of a firm
   (b) Ascertaining profit / loss of a firm
   (c) Controlling cost
   (d) Declaring dividend
2. Cost Accounting like Financial Accounting :
   (a) is exact and precise
   (b) provided information about business in general way
   (c) Meets the requirments of companies act and income tax act.
   (d) Branch of Accounting.
3. Financial Accounting is useful for :
   (a) Ascertaining cost
   (b) Controlling cost
   (c) Presentation of cost information to management
   (d) Ascertaining profit earned and financial position of business
4. Cost Accounting is based on :
   (a) estimated figures
   (b) actual figures
   (c) projected figures
   (d) historical figures
5. Cost Accounting as one branch of accounting has emerged due to problem faced by :
   (a) uniform costing
   (b) Managerial accounting
   (c) Infleation accounting
   (d) Financial accounting
6. There is a sea change in business environment. The world to day has become :
   (a) Closed market
   (b) Multiple economics
   (c) Global village
   (d) Urban estate
7. What is referred to as a technique and process of ascertaining costs?
   (a) Cost accountancy
   (b) Price Fixation
   (c) Cost accounting
   (d) Costing
8. Name the specialised branch of accounting involving classification, accumulation, assignment and control of costs.
   (a) Management accounting
   (b) Cost accounting
   (c) Financial accounting
   (d) Cost accountancy
9. Which is the authorising body to set up Cost Accounting Standard Board (ASB) ?
   (a) Income Tax Deptt.
   (b) Cost Auditors
   (c) Institute of Chartered Accountants
   (d) Institute of cost Accountants of India
10. CAS-I Pertains to :
    (a) Repairs & maintenance cost
    (b) Pollution control cost
    (c) Classification of cost
    (d) Material cost
11. CAS-10 deals with :
    (a) Overheads
    (b) Direct expenses
    (c) Administrative overheads
    (d) Employee costs
12. Which of the following is not a technique costing ?
    (a) Standard costing
    (b) Operating costing
    (c) Uniform / Output costing
    (d) Marginal costing

13. Which method of costing is suitable for paper manufacturing concern?
    (a) Process costing
    (b) Job costing
    (c) Unit / output costing
    (d) Contract costing

14. Batch costing is not suitable for which of the following industry :
    (a) Garment manufacturing
    (b) Bakeries
    (c) Repair shop
    (d) Toy manufacturing

15. Absorption costing charges :
    (a) Only fixed cost
    (b) Only variable cost
    (c) Both variable and fixed
    (d) Some part of fixed cost

16. Which of the following area is not covered under farm costing ?
    (a) Poultry farming
    (b) Animal husbandary
    (c) Canning
    (d) Sericulture

17. Hotel industry is covered under which method of costing ?
    (a) Multiple operation costing
    (b) One operatin costing
    (c) Operating costing
    (d) Job costing

18. In which of following industries, cost unit is composite ?
    (a) Chemical industry
    (b) Coal industry
    (c) Brick kiln
    (d) Transport industry

19. Which will not part / a variable cost ?
    (a) Power
    (b) Repair
    (c) Rates & Taxes of Building
    (d) Direct labour

20. Which will not become part of the cost ?
    (a) Depreciation (b) Cost of machine
    (c) Repairs (d) Labour charges

21. Which of the following is not out of pocket cost ?
    (a) Depreciation (b) Salaries
    (c) Rent (d) Advertisement

22. Which of the following is not a cost unit ?
    (a) ton (b) yard
    (c) machine (d) labour hour

23. Conversion cost is
    (a) Direct material + labour
    (b) Works cost - Direct material
    (c) Works cost - Direct labour
    (d) Direct material + labour + overheads

24. Telephone expenses is an example of :
    (a) Variable expenses
    (b) Fixed expenses
    (c) Semi variable expenses
    (d) Normal expenses

25. Which method appropriae to ship building ?
    (a) Batch costing (b) Service costin
    (c) Contract costing (d) Process costing

26. Indirect - Material, labour and expenses are result of :
    (a) Function wise (b) Element wise
    (c) Behaviour wise (d) Industry wise

27. Rent & Rates belongs to :
    (a) Fixed cost (b) Variable cost
    (c) Semi variable cost (d) Abnormal cost

28. Three elements of cost are :
    (a) Direct - Material, labour, expenses
    (b) Material, labour, other expenses
    (c) Material, labour, overheads
    (d) Manufacturing overhead, officce overhead, selling over head

29. Cost of production is equal to :
    (a) Prime cost plus wokrs cost
    (b) Total cost plus prime cost
    (c) Works cost plus Administrative cost
    (d) Prime cost plus Administrative cost

30. Works cost includes :
    (a) Direct Material + Direct labour + chargeable expenses
    (b) Direct Material + Direct labour + office overheads
    (c) Direct Material + Direct labour + Direct expenses + works expenses
    (d) Prime cost - works overhead

31. Which of the following is not selling and distribution expense ?
    (a) Cost of samples
    (b) Carriage outward
    (c) Baddebts
    (d) Primary packing mateiral

32. Which of following expenses is clearly excluded from cost ?
    (a) Excise duty
    (b) Discount on shares and debentures
    (c) Hire charges of a special plant for a particular job
    (d) Cost of patent rights

33. Insuance of goods in transit to a customer is a :
    (a) Administrative expense
    (b) Selling & distributin expense
    (c) Direct expense
    (d) Indirect expense

34. Selling overhead are charged on :
    (a) The no. of units produced
    (b) The total no. of units
    (c) The no. of units sold
    (d) The no. of units purchased

35. Which of the following is not direct expenses ?
    (a) Royalty paid
    (b) Carriage on purchases
    (c) Wages of machine operator
    (d) Wages of watchman

36. Profit is :-
    (a) Sales minus factory cost
    (b) Sales minus cost of production
    (c) Sales minus cost of sales
    (d) Sales minus cost of goods sold

37. Which of the following is not an administrative expenses ?
    (a) Rent and rates of office building
    (b) Depreciation of office equipment
    (c) Interest on capital
    (d) Trade Magazines and Journals

38. Which of the following is not included in cost ?
    (a) Consumable stores
    (b) Dividend
    (c) Indirect labour
    (d) Distribution overhead

39. Whichis not a direct expense ?
    (a) Excise Duty
    (b) Municipal taxes
    (c) Special Drawings & Designs
    (d) Hire charges of specific plan

40. When cost price is Rs.800 and profit on sale is 20%, The profit shall be :
    (a) 160 (b) 180
    (c) 100 (d) 200

41. If cost of production of 1000 units is Rs.20,000 what is cost of closing stock ? the units are sold is 600 units :
    (a) Rs. 4000 (b) Rs. 2000
    (c) Rs. 8000 (d) Rs. 1000

42. Specify the expense excluded from costs :
    (a) Direct or chargeable expenses
    (b) Expenses of raising capital
    (c) Selling overheads
    (d) Indirect labour

43. Bad debts are :
    (a) Office expenses
    (b) Selling expenses
    (c) Distribution expenses
    (d) Financial expenses

44. Value of material consumed is :
    (a) Opening stock of material + closing stock of material
    (b) Opening stock of material + purchases - closing stock of material
    (c) Average of opening and closing stock of material
    (d) Purchase of material - closing stock of material

45. Loss is :
    (a) Indirect material
    (b) Direct material
    (c) Cost of sales - sales
    (d) Sales - cost of sales

Unit-II
MATERIALS

1. The proportion of material cost in total cost is approximately :
   (a) 20% (b) 35%
   (c) 50% (d) 60%
2. Which of the following is not classified as material ?
   (a) Components (b) Spare parts
   (c) Consumable stores (d) Haulage
3. Which of following is not direct material ?
   (a) Raw material
   (b) Primary packing material
   (c) Consumable stores
   (d) Parts of components specially purchased
4. What of following is not ensured by material control ?
   (a) Right quantity
   (b) Rights sales
   (c) Right quality
   (d) Right amount of investment
5. Which of the following is not indirect material ?
   (a) Cotton waste
   (b) Lubricating oil
   (c) Grease
   (d) Material specifically purchased for job order
6. In open tender method, quotations are invited :
   (a) From limited no. of supplier
   (b) From a sale supplier
   (c) From many supplier, giving advertisemetn is press
   (d) From retailer
7. Single tender method is resorted to :
   (a) Where supplier is sole supplier
   (b) Where suppliers are highest
   (c) Where there are limited supplier
   (d) Where 2 suppliers
8. The original copy of purchase order is sent to :
   (a) Receiving deptt.
   (b) The supplier
   (c) Person who invited purchase requisition
   (d) Accounting deptt.
9. Purchase budget should be prepared by the :
   (a) Production manager
   (b) Purchase manager
   (c) Financial manager
   (d) Sales manager
10. Economic order quantity is :
   (a) The maximum quanity
   (b) Most economic order quantity
   (c) Minimum quantity
   (d) Actual quantity
11. Purchases must be made at :
   (a) The average price
   (b) Minimum price which gives ultimage lowest cost
   (c) Maximum price
   (d) Danger level price
12. Purchase rquisition is generally prepared in :
   (a) Triplicate (b) Quadruplicate
   (c) Duplicate (d) Five copies
13. The number of copies of goods received note required to be prepared at / in :
   (a) Four (b) Five
   (c) Six (d) Two
14. Centralised system of stores :
   (a) Leads to better layout of stores
   (b) Reduce transportation costs
   (c) Makes maximum investment in stores
   (d) Gives more botheration in inventory checks
15. Perpetual inventory system :
   (a) is based on physical stock taking
   (b) does not provide basis for control
   (c) provides information about stock in a year
   (d) based on records and continuous physical stock taking
16. Stores ledger makes a record of :
   (a) Quantity
   (b) Quantity and price
   (c) Maintained by store keeper
   (d) Always kept in stores
17. Bin card makes record of :
   (a) Quantity
   (b) Value
   (c) Quality and value
   (d) Quantity and value

18. Stores ledger maintained by :
    (a) Stores deptt. (b) Costing deptt.
    (c) Accounts deptt. (d) Personal deptt
19. Bin card is maintained by :
    (a) Personal manager
    (b) Store keeper
    (c) Cost Accountant
    (d) Accountant
20. Mateirals are issued by store keeper toproduction deptt on the basis of :
    (a) Purchase requisition
    (b) Material note
    (c) Goods received note
    (d) material requisition
21. Which document gives a complete list of all materials required with quantities for a particular job, order or process ?
    (a) Material requisition
    (b) Bill of materials
    (c) Material return note
    (d) Material transfer note
22. In which method of material issues, production is charged at the recent prices ?
    (a) LIFO (b) FIFO
    (c) Base stock (d) Simple average
23. Closing stock is valued at market price, under which method of material issue :
    (a) FIFO (b) LIFO
    (c) Weight average (d) Base stock
24. How many copies of material returned note are prepared ?
    (a) Two (b) Four
    (c) Three (d) Five
25. Which document is prepared to transfer material from one job to other jobs ?
    (a) Material transfer note
    (b) Material return note
    (c) Shop credit note
    (d) Bill of materials
26. What is other name for material return note ?
    (a) Material transfer note
    (b) Material requisition
    (c) Shop credit note
    (d) Goods receive note
27. FIFO pricing is suitable, when :
    (a) Prising are rising
    (b) Prices are falling
    (c) Prices are fluctulating
    (d) Prices remain stable
28. A bill of material is also serves the purpose of :
    (a) Material abstract
    (b) Purchase requisition
    (c) Material requisition
    (d) Material issue analysis sheet
29. The storekeeper should initiate the purchase requisition for fresh supply of material when the stock of that material reaches :
    (a) Minimum level
    (b) Economic order level
    (c) Maximum level
    (d) Reorder level
30. What level is fixed in order to avoid overstocking ?
    (a) Average level (b) Maximum level
    (c) Danger level (d) Reorder level
31. In ABC analysis, a strict control is exercised on :
    (a) All the item
    (b) The items which are large in number
    (c) The items which account for high percentage of cost
    (d) The items which are neither larger in numbers or accounts for high percentage of cost
32. Carrying cost of material does not include the following :-
    (a) Cost of storage space
    (b) Amount of interest payable on money locked up in materials
    (c) Insurance
    (d) Cost of manufacturing machinery
33. When the stock of material reaches danger level :
    (a) Production should be stopped
    (b) Normal issues of material are stopped
    (c) Issues on specific instructions are stopped
    (d) Fresh purchases of material should be stopped

34. The most economical quantity to be orddered is :
(a) Minimum level (b) Reorder level
(c) Reorder quantity (d) Average level

35. The cost of normal waste is recovered from :
(a) Total input (b) Normal output
(c) Good output (d) Abnormal waste

36. The loss which occurs due to inherent nature of material is :
(a) Scrap (b) Waste
(c) Abnormal waste (d) Normal waste

37. The scrap which arises due to nature of operation is ?
(a) Defective scrap
(b) Legitimate scrap
(c) Administrative scrap
(d) Abnormal scrap

38. To which account is the cost of defective scrap transferred ?
(a) Profit & Loss A/c
(b) Factory overhead A/c
(c) Direct material A/c
(d) Costing profit & Loss A/c

39. The materail loss in the finished product stage is known as :
(a) Spoilage (b) Defectives
(c) Wastage (d) Scrap

40. Shrinkage is an example of :
(a) Normal wastage
(b) Abnormal wastage
(c) Normal spoilage
(d) Abnormal spoilage

41. Loss arising out of rejected semi-finished goods is called :
(a) Scrap (b) Wastage
(c) Shrinkage (d) Spoilage

42. Reordering level is :
(a) Minimum consumption x Minimum Reorder period
(b) Maximum consumption x Maximum Reorder period
(c) Maximum consumption x Minimum Reorder period
(d) $^1/_2$ (Opening + closing stock of minimum quantity)

43. Danger level is :
(a) Maximum consumption x Maximum Reorder period
(b) Average consumption x Average Reorder period
(c) Minimum consumption x Minimum Reorder period
(d) Average consumption x Maximum Reorder period for emergency purchase

44. Average stock calculated by :
(a) Minimum stock level + $^1/_2$ of Reorder quantity
(b) Average consumption x Average Reorder quantity
(c) Reorder level + $^1/_2$ of Reorder quantity
(d) Minimum stock level + Maximum stock level

45. Decentralised stores facilitates :
(a) Reduce investment in stock
(b) Is economical
(c) Provide expertise of specialised staff
(d) Reduces risk of loss on accountof fire

Unit-III
LABOUR

1. Which of the following is not direct labour ?
(a) Assembly line workers
(b) Machine operators
(c) Manual workers
(d) Time keeper

2. The payment to indirect labour will not form part of which of the following heads :
(a) Works overheads
(b) Prime cost
(c) Administrative overheads
(d) Selling and distribution overhead

3. Labour flux rate denotes the :
(a) Change in work force
(b) Number of employees leaving the organisation
(c) Average number of employees
(d) Total change in composition of labour force due to additions and separations of workers

4. Which of the following is not preventive cost of lab our turnover ?
   (a) Cost of providing good working condition
   (b) Cost of revisionof pay scales
   (c) Cost of recruitment of new workers
   (d) Cost of providing other welfare facilities

5. Which of the following documents is not used for time booking ?
   (a) Weekly time sheets
   (b) Time card
   (c) Daily time sheet
   (d) Job tickets

6. Which of the following reason is not a reason of abnormal idle time ?
   (a) Time wasted on account of breakdown of machinery
   (b) Time worked due to strike
   (c) Time wasted due to unnecessary waiting for instruction
   (d) Time taken for personal needs

7. A worker is treated to be engaged on overtime, if :
   (a) He works for more than 48 hours in a week
   (b) He works for more than 8 hours a day
   (c) He works for more than 8 hours a day or for more than 50 hours in a week
   (d) He works for more than 9 hours on any day or for more then 48 hours in a week

8. Wage sheet is prepared by :
   (a) Payroll department
   (b) Personal department
   (c) Time keeping department
   (d) Costing department

9. Bogus workers are these :
   (a) Who do not know their work
   (b) Who are casual workers
   (c) Who are not included in payroll and are not paid wages
   (d) Who actually do not exist but are included in the payroll and fraudulent persons claim their wages.

10. Which of the following is not part of labour cost ?
    (a) Basic wages
    (b) Dearness allowances
    (c) Employer's contribution to provident fund
    (d) Employee's contribution to provident fund

11. The department which is concerned with selection and training of workers is :
    (a) Engineering department
    (b) Personnel department
    (c) Cost accounting department
    (d) Payroll department

12. Recreational facilities comes under :
    (a) Pecuniary benefits
    (b) Deferred monetary benefits
    (c) Fringe benefits
    (d) Promotional benefit

13. Clousure in seasonal industries, as cause of idle time, comesunder
    (a) Productive cause
    (b) Economic cause
    (c) Administrative cause
    (d) Productive and Administrative cause

14. Which of the following is not a monetry benefit ?
    (a) Basic wages
    (b) Recretional facilities
    (c) Dearness allowances
    (d) Employer's contribution to (monetary) fund provident

15. Which item is not a fringe benefit ?
    (a) Subsidised food
    (b) Subsidised education to children of workers
    (c) Employer's contribution
    (d) Medical facilities to ESI

16. Unavoidable cause of labour turnover is :
    (a) Low wages
    (b) Unsatisfactory working condition
    (c) Long hours of work
    (d) Retrenchment due to shortage of work

17. Personal cause of labour turnover :
(a) Unfair method of promotion
(b) Dislike for job or place
(c) Unsatisfactory working condition
(d) Unlike for employee communication

18. Which of the following is a mechanical method of time keeping ?
(a) Time recording clock
(b) Metal disc method
(c) Attendance register method
(d) Controllable and uncontrollable

19. Two types of idle time are :
(a) Direct and Indirect
(b) Fixed and variable
(c) Normal & Abnormal
(d) Controllable and uncontrollable

20. Payment on basis of the work done irrespective of time taken by the worker is called :
(a) Time rate system
(b) Premium plan
(c) Piecerate system
(d) Bonus plan

21. Which method of wage payment proves to be injurious to worker's health?
(a) Halsey premium plan
(b) Time rate system
(c) Row an plan
(d) Piecerate plan

22. Strict supervision requires under which method of wage payment?
(a) Piece rate system
(b) Time rate system
(c) Taylor's differential piecerate system
(d) Halsey premium plan

23. How many piece rates are set for each job in Taylor's differential piece rate system?
(a) Two (b) Three
(c) Four (d) Many

24. Which method of wage payment seeks to make an improvement in the Taylor's differential piece rate system ?
(a) Time rate system
(b) Rowan premium plan
(c) Merrick's multiple piece rate system
(d) Straight piece rate system

25. In Halsey plan, premium is equal to some portion of the wages of time saved. what is that portion ?
(a) $\frac{1}{4}$ (b) $\frac{1}{4}$ to $\frac{1}{3}$
(c) $\frac{1}{3}$ to $\frac{2}{3}$ (d) $\frac{1}{2}$

26. Time rate in wage payment is suitable where :
(a) Production is standardised
(b) Output of worker can be measured
(c) Aim to maximise production
(d) Quality of goods produced is of extreme importance

27. A worker gets bonus of 1/3rd of time saved in :
(a) Halsey plan
(b) Rowan plan
(c) Halsey-weir plan
(d) Profit sharing scheme

28. Where the speed of production is beyond control of worker - which method is suitable :
(a) Time rate
(b) Piecerate
(c) Halsey premium plan
(d) Ravian plan

29. Which of the following wage payment method does not guarantee time based wages ?
(a) Halsey plan (b) Rowan plan
(c) Piecerate plan (d) Time rate plan

30. A worker is entitled to bonus on wages in proportion of time saved to time allowed in :
(a) Rowan plan
(b) Halsey premium plan
(c) Halsey-weirplan
(d) Taylor's piecerate system

31. Formula for wage calculation under Halsey Plan :
(a) T x R (b) T + R
(c) S x R (d) S + R

32. Bonus calculation under Halsey plan :
(a) $\frac{1}{2}$ (S-T) R (b) $\frac{2}{50}$ (S - T) R
(c) 100% (S - T) R (d) 50% (S + T) R

33 Taylor's differential applies to :
(a) 50% & 100% (b) 80% and 60%
(c) 20% & 80% (d) 80% & 120%

34. Bonus under Rowan plan :
(a) 50% (S - T) R (b) $\frac{S}{S-T} x R$
(c) $\frac{S-T}{T} x R$ (d) $\frac{S-T}{S} x T x R$

35. Two principal wage system are :
(a) Time and piece rate
(b) Halsey & Rowan
(c) Halsey-weir
(d) Merrick and weir

36. Total earning under Halsey plan :
(a) $T x R + (S + T)R$
(b) $S x R + (T x R)R$
(c) $T x R + \frac{50}{100}(S - T)S$
(d) $T x R + \frac{S-T}{S} x T x R$

37. Total earning under Rowan plan :
(a) $T x R + \frac{S-T}{T} x R$
(b) $T x R + \frac{S-T}{T} x T$
(c) $T x R + \frac{T-R}{S} x S$
(d) $T x R + \frac{S-T}{S} x T x R$

38. Unit produced - 50, worker got Rs.250, how many hours he worked?
(a) 6 (b) 5 (c) 7 (d) 10

39. Repetitive type work prefers which wage payment system ?
(a) Halsey (b) Rowan
(c) Time rate (d) Piece rate

40. Standard time - 8 hrs, work completed in 6 hrs. how much time saved?
(a) 1.5 hrs (b) 2 hrs (c) 3 hrs (d) 4 hrs

Unit-IV

1. Which of the following is not a name given to overheads ?
(a) 'On Costs'
(b) Burden
(c) Direct chargeable costs
(d) Supplementry costs

2. Classification of overhead into indirect materials. Indirect labour, Indirect expenses comes under :
(a) Functional
(b) Behaviour-wise
(c) Nature-wise
(d) Element wise

3. Labour employed in time office and security office is an example of :
(a) Direct labour
(b) Indirec labour
(c) Indirect expenses
(d) Direct expenses

4. Choose the odd one out :
(a) Production dept
(b) Service dept
(c) Repair dept
(d) Partly producing department

5. Stores department is an example of :
(a) Service deptt
(b) Production deptt.
(c) Main deptt.
(d) Partly producing deptt.

6. Canteen expenses are apportioned on basis of :
(a) Direct wages
(b) No. of workers
(c) Area of departments
(d) Technical estimates

7. Depreciation on plant & machinery is apportioned on basis of :
(a) Technical estimates
(b) Direct labour hours
(c) Kilowatt hours
(d) Capital value of assets

8. Supervision is charged on basis of :
   (a) No. of employees
   (b) Direct material
   (c) Direct wages
   (d) Area of departments

9. Municipal rates and taxes are divided among departments on the basis of :
   (a) Wages
   (b) No. of employees
   (c) Area of departments
   (d) Capital value of assets

10. What types of overheads are rent and rates ?
   (a) Fixed overheads
   (b) Variable overhead
   (c) Semi-variable overhead
   (d) Semi fixed overhead

11. Printing and stationery expenses are :
   (a) Factory overhead
   (b) Office and Administrative overhead
   (c) Selling overhead
   (d) Distribution overhead

12. Production Manager's salary is :
   (a) Factory overhead
   (b) Office overhead
   (c) Selling and distribution overhead
   (d) Administrative overhead

13. Supervisor's salary is :
   (a) Fixed overhad
   (b) Variable overhead
   (c) Semi-variable overhead
   (d) Semi-fixed overhead

14. Indirect - Material, labour and expenses are result of :
   (a) Function wise Classification
   (b) Element wise
   (c) Behaviour wise
   (d) Industry wise

15. Power charges are :
   (a) Fixed overhead
   (b) Variable overhead
   (c) Semi-variable overhead
   (d) Semi-fixed overhead

16. Overtime is an example of :
   (a) Fixed over head
   (b) Variable over head
   (c) Semi-variable overhead
   (d) Semi-fixed overhead

17. Advertisement expenses are :
   (a) Factory overhead
   (b) Administrative overhead
   (c) Selling & Distributin overhead
   (d) Office overhead

18. Salaries to office staff are :
   (a) Fixed overhead
   (b) Variable overheads
   (c) Semi variable overhead
   (d) Semi fixed over head

19. Overheads classified as manufacturing, Administrative, selling and distributincome under :
   (a) Function wise
   (b) Element wise
   (c) Behaviour wise
   (d) Industry wise

20. Depreciation on office equipments is an example of :
   (a) Factory over head
   (b) Administrative over heads
   (c) Selling overheads
   (d) Manufacturing overhead

21. Ware housing cost belongs to :
   (a) Office over head
   (b) Material cost
   (c) Distribution over head
   (d) Direct cost

22. Allotment of overhead to a cost unit is called :
   (a) Apportionment
   (b) Absorption
   (c) Allocation
   (d) Direct cost

23. An aggregate of Indirect-material, labour and expenses is called :
    (a) Capacity cost
    (b) Depreciation
    (c) Setup cost
    (d) overheads

24. Factory overhead includes :
    (a) Direct material
    (b) Direct labour
    (c) Chargeable expenses
    (d) Production expenses

25. Depreciation is
    (a) Fixed over head
    (b) Variable overhead
    (c) Semi variable overhead
    (d) Semi fixed overhead

26. Direct material cost method for absorption of factory overheads is suitable when :
    (a) Production is mostly done by machines
    (b) Direct labour constitutes major proportion of total cost of production
    (c) One kind of article is produced and prices of materials are stable
    (d) Production done by men

27. Direct labour hour rate method of absorption of factory overheads is suitable where :
    (a) Labour constitutes the major factor of production
    (b) Use of machine forms predominant point
    (c) A standard article is produced requiring a constnat quantity of material
    (d) Labour forms neutral part

28. Fixed cost per unit :
    (a) Remains the same inspite of increase in production
    (b) Reduces with decrease in output
    (c) Reduces with increase in output
    (d) Remains fluctuating

29. Variable cost per unit :
    (a) Remain same inspite of increase in output
    (b) Reduces with decreases in output
    (c) Increases with increase in output
    (d) Remains constant / fixed

30. When factory overhead control account has an ending credit balance, factory overhead was
    (a) Under applied
    (b) Over applied
    (c) Neither over or under applied
    (d) Either under applied or over applied

31. When the factory overhead control account has an ending debit balance :
    (a) Under applied
    (b) Over applied
    (c) Neither under or over applied
    (d) Either under or over applied

32. Factory overhead applied on basis of :
    (a) Direct labour hours
    (b) Direct labour cost
    (c) Relationship to cost incurred
    (d) Direct machine hour

33. Credit and collection cost is an item of :
    (a) Selling over head
    (b) Office over head
    (c) Prime cost
    (d) Administrative over head

34. Ware housing cost is an item of :
    (a) Office over head
    (b) Distribution over head
    (c) Material cost
    (d) Labour cost

35. Primary packing is an item of
    (a) Selling overhead
    (b) Prime cost
    (c) Distribution overhad
    (d) Works cost

36. Which of the following would be classified as direct material for a furniture manufacturer ?
    (a) Wood (b) Glue
    (c) Screw (d) Wood cleaner

37. Which of the following is not classified as a factory over head cost ?
    (a) Electricity to run factory machines
    (b) Insurance to protect factory contents
    (c) Security guards that protect the factory building
    (d) Advertising cost to promote finished goods

38. The process of assigning share of indirect costs to cost centers is called ?
    (a) Appointment
    (b) Variable costing
    (c) Cost allocation
    (d) Joint costing

39. Where there is mass production of homogenous units or where few products are produced in batches, which of the following cost driver would be regarded as best base for the determination of factory over head absorption rate ?
    (a) No. of units produced
    (b) Labour hours
    (c) Prime cost
    (d) Machine hours

40. The pre determined overhead rate calculated as ?
    (a) $\frac{\text{Budgeted total manufacturing overhead}}{\text{budgeted activity level of application base}}$
    (b) $\frac{\text{Budgeted total manufacturing overhead}}{\text{actual activity level of application base}}$
    (c) $\frac{\text{Actual total manufacturing overhead}}{\text{Budgeted activity level of application base}}$
    (d) $\frac{\text{Actual total manufacturing overhead}}{\text{actual activity level of application base}}$

41. Which of the following items would not be classified as direct mate rial for an automobile manufacturer ?
    (a) Steel (b) Paint
    (c) Tires (d) Screws

42. The cost objective is the :
    (a) Reason for allocating the cost
    (b) Calculation based on budgeted amount
    (c) Product, service or department that is to receive allocation
    (d) Maximum amount to be allocated to any single department

43. When too much overhead cost is charged to products as they are made, the result is ?
    (a) Overhead over applied
    (b) Under applied over head
    (c) Under statement of cost of goods sold
    (d) Inventory cost is too low

44. Absorption costing is closely related to which of the following cost elements ?
    (a) Total costs
    (b) Overheads
    (c) Prime cost
    (d) Direct labour

45. It is possible for an item of overhead expenses to be shared amongst many departments. It is also possible that this same item may relate to just one specific department. If the item was charged specifically to a single department. This would be an example of ?
    (a) Appointment
    (b) Allocation
    (c) Reappointment
    (d) Absorption rate

***

2. (a) Express in one word :

Unit-I

(i) Name the unit of product, service or time in relation to which costs may be ascertained.

(ii) Name the cost that can not be eliminated with the discontinuation of a product or a department :

(iii) The cost which is irrecoverable and is caused by complete abandonment of a plant :

(iv) Power supply companies follow the method of costing :

(v) Give another name of variable cost :

(vi) Give another name for fixed cost :

(vii) Primary packing expenses form part of which cost ?

(viii) Royalty paid on basis of units produced in which type of expense ?

(ix) Consumable stores come under which category of over head ?

(x) For supplying quotations, works overheads are charged on what basis ?

(xi) The total of direct mateiral, direct labour and direct expenses constitutes :

(xii) The difference between sales and cost of slaes is :

Unit-II

(i) Indirect mateiral is part of which cost ?

(ii) Finished goods treated as :

(iii) The items used for smooth running of machiens e.g. lubricants, cotton waste, rags and brooms etc. are known by :

(iv) Which is the first and foremost element of cost :

(v) Who is incharge of stores department ?

(vi) Name the method of purchasing of material when all purchases aremade by one department:

(vii) Which document maintained by store keeper for record of material ?

(viii) Who is the head of purchase department ?

(ix) Which document is sent to supplier to invite quoations ?

(x) Who issues material to production departments ?

(xi) Which document serves the purpose of authority to store keepr to issue mateiral ?

(xii) Full form of JIT inventory system :

(xiii) Name the inventory contorl method with a peculiar feature of continuous stock taking.

(xiv) Discarded material having some value known as :

(xv) Discarded materials / substances having no value :

(xvi) Name material loss which can't be rectified :

Unit-III

(i) Name any one fringe benefit of workers :

(ii) Change in labour force of organisation is denoted by which name :

(iii) Which department is concerned with the recording of time of workers ?

(iv) Name any manual method of time keeping .

(v) What is known as difference between time recorded in time card and time recorded in job card.

(vi) Give another name the Bogus worker

(vii) Which department prepares wage sheets.

(viii) Name any one method of time keeping.

(ix) On what basis wages arepaid under piece rate system.

(x) Name any one individual premium plan.

(xi) Which method of wage payment is suitable when quality is important?

(xii) Which method is characterised by / with the payment for idel time.

(xiii) Which scheme for bonus can be introduced for a group of workers.

(xiv) Which method knownas payment by result method ?

Unit-IV

(i) Give another name of overhead.

(ii) Give one example of semivariable overhead.

(iii) Salary of foreman belongs to which cateogry.

(iv) Name the method of codificatin of overheads most suitable for large size business organisation.

(v) What is suitable basis for apportioning creche expenses.

(vi) What is suitable basis for approtioning lighting expenses.

(vii) Give one example of indirect material.

(viii) Another name of absorption.

(ix) What overhead rates carryout to adjustment between overhead absorbed and overhead incurred.

(x) Name another name of single overhead rate.

(xi) Name any method of absorption of administrative overhead.

(xii) Name any one method of accounting of under and over absorbed overhead.

2. (b) Answer in one sentence :

Unit-I

(i) What is job costing ?

(ii) What is replacement costing ?

(iii) What are period costs ?

(iv) What do you mean by conversion cost ?

(v) What is prime cost ?

(vi) What do you mean by direct cost ?

(vii) What do you mean by scrap ?

(viii) What do you mean by cost sheet ?

(ix) What do you mean by cost of sales ?

(x) What do you mean by cost Ascertainment ?

(xi) What is meant by cost control ?

(xii) What is meant by cost Audit ?

Unit-II

(i) What is direct material ?

(ii) What is meant by indirect material ?

(iii) What are two levels of material control ?

(iv) What are spare parts ?

(v) What are consumable stores ?

(vi) What does the bin card record ?

(vii) What is stores ledger ?

(viii) What for material requistion form is used ?

(ix) Give one advantage of LIFO?

(x) What is simple averge method of pricing mateiral issues ?

(xi) What is meant by FIFO?

(xii) Under what circumstances, weighted average method of pricing material issue is suitable ?

(xiii) Give fullform of VED Analysis.

(xiv) Give full form of EOQ.

(xv) State the formula for EOQ.

(xvi) Name the system where binis divided into two parts.

Unit-III

(i) Give one personal cause of labour turnover?

(ii) What are two types of labour ?

(iii) What is labour turnover ?

(iv) What is the main function of pay roll department?

(v) What are two types of time recording ?

(vi) What is daily muster roll ?

(vii) What is wage sheet ?

(viii) What is time rate system of wage payment ?

(ix) What do you mean by payment by results ?

(x) Give formula for Rowan premium plan ?

(xi) Where can piece wage system be successfully applied ?

(xii) What do you mean by flat time rate ?

(xiii) Give one difference btween Halsey and Rowan premium plan ?

(xiv) What is Merricks differential piece rate system ?

Unit-IV

(i) What do you mean by over heads ?

(ii) What do you mean by allocation ?

(iii) What is appointment of overhads ?

(iv) What are fixed overheads ?

(v) What are variable overheads?

(vi) What is difference between allocation and appointment ?

(vii) What is departmentalisation of overheads ?

(viii) What do you mean by codification of overhead?

(ix) What do you mean by absorpiton of overhead?

(x) What is blanket overhead Rate ?

(xi) What do you mean by standing charges ?

(xii) What are machine expenses ?

2. (c) Correct the underlined portion :

Unit-I

(i) Imputed costs are the irrecoverable costs caused by complete abandonment of plant.

(ii) One operation costing is suitable for pharmaceutical industry.

(iii) Cost unit is the smallest segment of activity or area or responsibility for which costs are accumulated.

(iv) Job costing, Historical costing, process costing are different methods of costing.

(v) Historical costing and marginal costing are techniques of costing.

(vi) The cost unit used in a brick kiln is per brick.

(vii) These are three elements of cost viz., material labour and overheads.

(viii) Cost of production is the total of direct material, direct labour and direct expenses.

(ix) The profit is the difference btween sales and cost of production.

(x) Expenses on raising capital is a non financial expenses not chargeable to cost.

(xi) While preparing quotaiton, administrative overhead charged on basis of prime cost.

(xii) Administrative overheads are added to works cost to get cost of sales.

Unit-II

(i) Consumable stores are the appliances used for smooth running of machiens.

(ii) Direct material are treated as stock.

(iii) Indirect mateiral part of prime cost.

(iv) Stores ledger is maintained by store keeper.

(v) Perpetual inventory system ensures periodic stock tapping.

(vi) Centralised purchasing takes place when all the departmetns of organisation are given authority to make their own purchases.

(vii) Routine purchase requistion can be initiated by any employee.

(viii) Material requistion is a document where all material required for a particular job, order or process are listed.

(ix) In LIFO method, mateiral issued is priced at the cost of earliest consignment.

(x) Simple average method of valuign material issues work with some other method of valuing issues.

(xi) FNSD Analysis divides the items of stores into three categories.

(xii) EOQ is the quantity where the carrying cost is minimum.

Unit-III

(i) Employee placement requisition is sent to the payroll department when a worker needed by a department.

(ii) Oldage pension is a good example of fringe benefit.

(iii) A low degree of labour turnover is nto desirable.

(iv) Time keeping and time booking has same meaning.

(v) Payroll department mainains employees history card.

(vi) Basic wages and DA are fringe benefits.

(vii) Direct labour cost is a part of factory overhead cost / expenses.

(viii) Wage sheet is prepared by workers who recieve wages.

(ix) High wages may lead to high cost of production.

(x) Time rate system may help in lowering cost due to increased production.

(xi) Taylor advocated three piece rates in differential piecerate system.

(xii) One of drawback of time rate system is poor quality of goods.

Unit-IV

(i) Appointment is allotment of whole item of cost to cost centers or cost unit.

(ii) Step distribution method is a reciprocal service method.

(iii) Lighting expenses are apportioned on basis of Direct wages.

(iv) Indirect material, Indirect labour are example of Fixed overhead.

(v) Variable overheads are alos known as period costs.

(vi) remuneratin to salesman is an example of fixed overed.

(vii) The per unit fixed cost remains constant irrespective of change in production

(viii) Direct labour hour rate of absorption is suitable when most of produciton is done byusing machines.

(ix) Standing charges are the variable expenses of running the machines.

(x) Actual overhead rates helps in quick preparation of cost estimates and quoting prices.

(xi) Multiple or Blanket overhad rate is calculated by dividing overhead cost of each cost centre by corresponding base.

(xii) Comprehensive machine hour rate is calcualted by adding wages of foreman to the simple machine hour rate.

2. (d) Fill up the gaps :

Unit-I

(i) The method of costing used in a refinery is _____.

(ii) _____ costing is used in transport undertakings.

(iii) Cost unit in a college may be a _____ .

(iv) The total of all direct expenses is known as _____ cost.

(v) Works cost is a total of _____.

(vi) All costs are _____ controllable.

(vii) Depreciation is _____ expenditure.

(viii) Abnormal gains and losses are ___ from costs.

(ix) Indirect mateiral forms part of _____ overhead.

(x) Wages paid to labour employed other than on production constitute _____ labour cost.

(xi) Another name of office overhad is ___ overhead.

(xii) Manufacturing overheads are also known as _____ overheads.

Unit-II

(i) _____ is the first and foremost element of cost.

(ii) Indirect material is part of _____ cost.

(iii) Direct material can be identified in the _____.

(iv) Material control aims at achieving effective _____.

(v) Goods well bought are _____.

(vi) Purchasing is a _____ function.

(vii) Replenishment is the origin of _____.

(viii) Small orders are placed too _____.

(ix) Store ledger is maintained in the _____.

(x) Bin card is maintained by _____.

(xi) The minimum quantity of stock which is kept in store known as _____.

(xii) Reordering level = Maximum consumption x _____.

Unit-III

(i) Holiday pay is an example of _____.

(ii) Low wages and allowances is _____ cause of labour turnover.

(iii) The oldest method of time keeping is _____.

(iv) Overtime is paid at a _____ rate.

(v) The time spent on various jobs by the worker is shown by _____ card.

(vi) Cost of abnormal idel time are transferred to _____ .

(vii) _____ workers are kept due to extra work for a few days or hours.

(viii) _____ can be successfully applied where work is of repetitive nature and quantity of output can be measured.

(ix) High wages give workers incentive to become _____.

(x) When quality of work is of prime importnace, _____ is most suitable.

(xi) Under Rowan plan, Bonus = _____ .

Unit-IV

(i) The _____ portion of toal cost constitutes the overhead cost.

(ii) Overhead can't be conveniently _____ with a particular cost center or unit.

(iii) High overheads are not necessarilyand indication of _____.

(iv) Allocation, Apportionment and reapportionment of overheads is also known as _____.

(v) _____ is defined as allottment of whole item of cost to cost center or cost unit.

(vi) Overhead cost is aggregate of indirect material, indirect wages and _____.

(vii) _____ expenses are excluded from cost.

(viii) Fancy packing are illustration of ____ expenses.

(ix) The acitity level which smoothes out high and lows of production is called _____ capacity.

(x) Un successful research expenditure should be _____ fromcost accounts.

(xi) Salary paid to general manager is an item of _____ expenses.

GROUP - A
ANSWERS

Unit-I
COST SHEET

1. (c) Controlling cost
2. (d) Branch of Accounting.
3. (d) Ascertaining profit earned and financial position of business
4. (a) estimated figures
5. (d) Financial accounting
6. (c) Global village
7. (d) Costing
8. (b) Cost accounting
9. (d) Institute of cost Accountants of India
10. (c) Classification of cost
11. (b) Direct expenses
12. (b) Operating costing
13. (a) Process costing
14. (c) Repair shop
15. (c) Both variable and fixed
16. (c) Canning
17. (c) Operating costing
18. (d) Transport industry
19. (c) Rates & Taxes of Building
20. (b) Cost of machine
21. (a) Depreciation
22. (c) machine
23. (b) Works cost - Direct material
24. (c) Semi variable expenses
25. (c) Contract costing
26. (b) Element wise
27. (a) Fixed cost
28. (b) Material, labour, other expenses
29. (c) Works cost plus Administrative cost
30. (c) Direct Material + Direct labour + Direct expenses + works expenses
31. (d) Primary packing mateiral
32. (b) Discount on shares and debentures
33. (b) Selling & distributin expense
34. (c) The no. of units sold
35. (d) Wages of watchman
36. (c) Sales minus cost of sales
37. (c) Interest on capital
38. (b) Dividend
39. (b) Municipal taxes
40. (d) 200
41. (a) Rs. 4000
42. (b) Expenses of raising capital
43. (b) Selling expenses
44. (b) Opening stock of material + purchases - closing stock of material
45. (d) Sales - cost of sales

Unit-II
MATERIALS

1. (d) 60%
2. (d) Haulage
3. (c) Consumable stores
4. (b) Rights sales
5. (d) Material specifically purchased for job order
6. (c) From many supplier, giving advertisemetn is press
7. (a) Where supplier is sole supplier
8. (b) The supplier
9. (b) Purchase manager
10. (b) Most economic order quantity
11. (b) Minimum price which gives ultimage lowest cost
12. (a) Triplicate
13. (b) Five
14. (a) Leads to better layout of stores

15. (d) based on records and continuous physical stock taking
16. (b) Quantity and price
17. (a) Quantity
18. (b) Costing deptt.
19. (b) Store keeper
20. (d) material requisition
21. (b) Bill of materials
22. (a) LIFO
23. (a) FIFO
24. (d) Five
25. (a) Material transfer note
26. (c) Shop credit note
27. (c) Prices are fluctulating
28. (c) Material requisition
29. (d) Reorder level
30. (b) Maximum level
31. (c) The items which account for high percentage of cost
32. (d) Cost of manufacturing machinery
33. (b) Normal issues of material are stopped
34. (c) Reorder quantity
35. (c) Good output
36. (d) Normal waste
37. (b) Legitimate scrap
38. (d) Costing profit & Loss A/c
39. (c) Wastage
40. (a) Normal wastage
41. (a) Scrap
42. (b) Maximum consumption x Maximum Reorder period
43. (d) Average consumption x Maximum Reorder period for emergency purchase
44. (a) Minimum stock level + $^1/_2$ of Reorder quantity
45. (d) Reduces risk of loss on accountof fire

Unit-III
LABOUR

1. (d) Time keeper
2. (b) Prime cost
3. (d) Total change in composition of labour force due to additions and separations of workers
4. (c) Cost of recruitment of new workers
5. (b) Time card
6. (d) Time taken for personal needs
7. (d) He works for more than 9 hours on any day or for more then 48 hours in a week
8. (a) Payroll department
9. (d) Who actually do not exist but are included in the payroll and fraudulent persons claim their wages.
10. (d) Employee's contribution to provident fund
11. (b) Personnel department
12. (c) Fringe benefits
13. (b) Economic cause
14. (b) Recretional facilities
15. (c) Employer's contribution
16. (d) Retrenchment due to shortage of work
17. (b) Dislike for job or place
18. (a) Time recording clock
19. (c) Normal & Abnormal
20. (c) Piearate system
21. (d) Piecerate plan
22. (b) Time rate system
23. (a) Two
24. (c) Merrick's multiple piece rate system
25. (c) $\frac{1}{3}$ to $\frac{2}{3}$
26. (d) Quality of goods produced is of extreme importance
27. (a) Halsey plan
28. (a) Time rate

29. (c) Piecerate plan
30. (a) Rowan plan
31. (a) T x R
32. (a) $\frac{1}{2}$ (S-T) R
33 (d) 80% & 120%
34. (d) $\frac{S-T}{S} x T x R$
35. (a) Time and piece rate
36. (d) $T x R + \frac{S-T}{S} x T x R$
37. (d) $T x R + \frac{S-T}{S} x T x R$
38. (b) 5
39. (d) Piece rate
40. (b) 2 hrs

Unit-IV

1. (c) Direct chargeable costs
2. (d) Element wise
3. (b) Indirec labour
4. (c) Repair dept
5. (a) Service deptt
6. (b) No. of workers
7. (d) Capital value of assets
8. (a) No. of employees
9. (c) Area of departments
10. (a) Fixed overheads
11. (b) Office and Administrative overhead
12. (a) Factory overhead
13. (a) Fixed overhad
14. (b) Element wise
15. (b) Variable overhead
16. (b) Variable over head
17. (c) Selling & Distributin overhead
18. (a) Fixed overhead
19. (a) Function wise
20. (b) Administrative over heads
21. (c) Distribution over head
22. (b) Absorption
23. (d) overheads
24. (d) Production expenses
25. (c) Semi variable overhead
26. (c) One kind of article is produced and prices of materials are state
27. (a) Labour constitutes the major factor of production
28. (c) Reduces with increase in output
29. (a) Remain same inspite of increase in output
30. (b) Over applied
31. (a) Under applied
32. (c) Relationship to cost incurred
33. (a) Selling over head
34. (b) Distribution over head
35. (b) Prime cost
36. (a) Wood
37. (d) Advertising cost to promote finished goods
38. (b) Variable costing
39. (d) Machine hours
40. (a) Budgeted total manufacturing overhead budgeted activity level of application base
41. (d) Screws
42. (c) Product, service or department that is to receive allocation
43. (a) Overhead over applied
44. (b) Overheads
45. (b) Allocation

2. (a) Express in one word :

Unit-I

(i) Cost unit
(ii) Unavoidable cost
(iii) Sunk cost
(iv) Service or operating costing
(v) Product cost
(vi) Period costs
(vii) Direct material cost
(viii) Direct expense
(ix) Factory overhead
(x) Direct labour
(xi) Prime cost
(xii) Profit

Unit-II

(i) Overheads
(ii) Stock
(iii) Consumable stores
(iv) Material
(v) Store keeper
(vi) Centralised purchasing
(vii) Bincard
(viii) Purchase manager or officer
(ix) Tender
(x) Store keeper
(xi) Foreman
(xii) Just in time
(xiii) Perpetual inventory system
(xiv) Scrap
(xv) Waste
(xvi) Spoilage

Unit-III

(i) Medical facilities
(ii) Labour turnover
(iii) Time keeping department
(iv) Attendance Register method
(v) Idle time
(vi) Dummy worker
(vii) Pay roll department
(viii) Metal disc method
(ix) No. of units produced
(x) Halsey premium plan
(xi) Time rate system
(xii) Time rate system
(xiii) Group bonus scheme
(xiv) Piecerate system

Unit-IV

(i) 'On costs'
(ii) Telephone expenses
(iii) Factory overhead
(iv) Field method numerical codes
(v) no. of female employees
(vi) light points
(vii) Lubricants
(viii) Recovery
(ix) Supplementary overhead rates
(x) blanket overhead rate
(xi) Percentge on works cost
(xii) by writing off to costing profit & loss A/C

2. (b) Answer in one sentence :

Unit-I

(i) Job costing : It is a method of costing, where costs are collected for each job or work order.
(ii) Replacement costing : It is the cost at which there would be purchase of an asset or material identical to that which is being replaced or revalued.
(iii) Period Costs : These are incurred on basis of time, e.g. Rent, Salaries etc.
(iv) Conversion Costs : It is the sum of direct wages, direct expenses and manufacturing overhead cost of converting raw material from one stage to next stage.
(v) Prime cost : It is the total of direct material, direct labour and direct expenses.
(vi) Direct Cost : Cost which can be identified with product, can be conveniently measured.
(vii) Scrap : Which has a realisable value which is to be adjusted while calculating cost.

(viii) Cost Sheet : It is a statement showing total cost, total profit, cost per unit, profit per unit etc.

(ix) Cost of Sales : It is the additionof selling and distribution overhead to cost of production.

(x) Cost Ascertainment : It deals with collection and analysis of expenses.

(xi) Cost Control : It is guidance and regulation by executive action of costs of operating on undertaking.

(xii) Cost Audit : It is the verification of correctness of cost accounts and a check adherence to cost accounting plan.

Unit-II

(i) Direct Material : Material which forms part of finished product.

(ii) Indirect material : Materials which can't be easily identified with finished product.

(iii) 2 levels of material Control :

(a) Quantity / unit control

(b) Financil / Rupee control

(iv) Spare parts : These are used for plants, machinery and building maintenance.

(v) Consumable stores : These are the items used for smooth running of machine e.g. lubricants, oil, cotton, waste.

(vi) Bin card records quantity of materials being received and issued.

(vii) Store ledger : These are quantitative cum valued records of receipts and issues of material.

(viii) Material requistion form is used for requesting storekeeper to issue the required material.

(ix) Advantage of LIFO : materials are issued at latest consignment price.

(x) Simple average price : A price which is calculated by dividing total of the price of materials in stock from which mateiral priced could be drown by no. of prices used in total.

(xi) FIFO - Fast in First out

(xii) When price fluctuates, weighted average method of pricing suitable.

(xiii) VED - Valid Essential Desirable

(xiv) EOQ- Economic ordering quantity

(xv) $EOQ = \sqrt{\frac{2co}{i}}$

(xvi) Double Bin system

Unit-III

(i) Domestic trouble and family responsibility.

(ii) 2 types of labour: Direct labour and indirect labour

(iii) Labour turnover : The percentage change in labour force of an organisation.

(iv) Tomaintain a record of job classification department and wage rate for each worker.

(v) Manual method and mechanical method.

(vi) Daily Muster roll : When workers are carried out for job on daily attendance basis and paid according to that job assigned.

(vii) Wage sheet : It discloses the wages due to the each worker.

(viii) Time rate of wage paymetn : The worker is paid in an hourly, dialy, weekly or monthly rate.

(ix) Payment by results : It refers to piece rae system i.e, a fixed rate is paid for each unit produced or job completed.

(x) Rowan premium plan :

$$\text{Total Earning} = T \times R + \frac{S - T}{S} \times T \times R$$

(xi) Piece rate / wage system can be applied to repetitive type of work.

(xii) Flat time rate : Workers are paid at a flat rate on basis of time they are employed.

(xiii) In Halseyplan, quality of work suffer where in Rowan plan, quality of work deoes not suffer much.

(xiv) In merrick's piece rate system,level of performance varies from 83% to 100% and 100% to 120% efficient and experienced worker get more wages.

Unit-IV

(i) Overhead : Expenditure on labour, material on services which can't be economically identified with specific saleable cost per unit.

(ii) Allocation : The allotment of whole items of cost to cost centers or cost unit.

(iii) Apportionment : Allottment of proportion of items of cost to cost centres or cost unit.

(iv) Fixed overhead : The cost which accures in relation to passage of time.

(v) Variable overhead : Cost which tends to follow the level of activity in short term.

(vi) Allocation deal with shole item of cost and appotionment dealonly proportionof items of cost.

(vii) Departmentalisatin of over head : Allocation, apportionment and reapportionment of overheads, known as Departmentalisation.

(viii) Codification of overhead : Using numbers or letters or both instead of lengthy description of various overhead items.

(ix) Absorption of overhead means recovery of overhead cost from cost of production.

(x) Blanket or single overhead rate is calculaed fore factory as a whole and is calcualted by dividing the overhead cost of factory with total quantum of base selected.

(xi) Standing charges : Those expense remain constant irrespective of use or running of machine.

(xii) Machine expenses : Such as power, fuel, depreciation repairs etc. Varies with use of machines.

2. (c) Correct the underlined portion :

Unit-I

(i) Sunk costs

(ii) Process costing

(iii) Cost centre

(iv) batch costing

(v) Absorption costing

(vi) Per 1,000 bricks

(vii) Expenses

(viii) Prime cost

(ix) Cost of sales

(x) Financial

(xi) Works cost

(xii) Cost of production

Unit-II

(i) Items

(ii) Stores

(iii) Overheads

(iv) Bin card

(v) Continuous stock taking

(vi) Decentralised

(vii) Store Keeper

(viii) Bill of material

(ix) Latest

(x) Base stock method

(xi) Four

(xii) Total cost

Unit-III

(i) Personnel

(ii) Subsidised food

(iii) High

(iv) Different method

(v) Personnel dept.

(vi) Subsidised educationto children of employees

(vii) Prime cost

(viii) Payroll department

(ix) Low

(x) Piecerate system

(xi) Two

(xii) Payment for idle time

Unit-IV

(i) Proportion of items of costs
(ii) Repeated distribution
(iii) No. of light points
(iv) Variable
(v) Fixed overhead
(vi) Semi variable overhead
(vii) Variable / varies
(viii) Machine hour rate
(ix) Machine expenses
(x) Predetermined overhead rates
(xi) Departmental
(xii) Wages of machine operator

2. (d) Fill up the gaps :

Unit-I

(i) Process costing
(ii) Service costing
(iii) Student
(iv) Prime cost
(v) Direct material
(vi) not
(vii) Semi-variable
(viii) Excluded
(ix) Factory
(x) Indirect
(xi) Administrative
(xii) Works

Unit-II

(i) Material
(ii) Works cost
(iii) Finished products
(iv) Material management
(v) Half sold
(vi) Service
(vii) Purchasing
(viii) Frequently
(ix) Cost accounting department
(x) Store keeper
(xi) Base stock
(xii) Maximum Reorder period.

Unit-III

(i) Fringe benefit
(ii) Avoidable
(iii) Attendance Register method
(iv) Higher
(v) Job card
(vi) Costing profit and loss account
(vii) Casual
(viii) Piecerate system
(ix) Efficient
(x) Time wage system
(xi) $\frac{S-T}{S} \times T \times R$

Unit-IV

(i) Indirect
(ii) Identified
(iii) Inefficiency
(iv) Departmentalisation of overhead
(v) Allocation
(vi) Indirect expenses
(vii) Abnormal
(viii) Selling
(ix) Normal
(x) Excluded
(xi) Fixed

***

GROUP - B

SHORT QUESTION

Answer within 30 words. Explain the terms in not more than 3 sentences : [2 Marks]

Unit-I

1. Costing
2. Cost Accounting
3. Financial Accounting
4. Cost Control
5. Cost Accountant
6. Cost Accountancy
7. Important objective of Cost Accounting
8. Cost Ascertainment
9. Purpose of Financial Accounting
10. Two limitations of Cost Accounting
11. Two features of an ideal costing system
12. Two nature of Cost Accounting
13. Two Advantages of Cost Accounting
14. Cost Audit
15. Cost Reduction
16. Why Cost Accounting is needed by an Organisation ?
17. Installation of an ideal costing system
18. Cost
19. Expenses
20. Loss
21. Cost Centre
22. Cost Unit
23. Profit
24. Cost driver
25. Committed Cost
26. Discretionary Cost
27. Step Cost
28. Marginal Cost
29. Capital Cost
30. Historical Cost
31. Period Cost
32. Notional Cost
33. Opportunity Cost
34. Sunk Cost
35. Target Cost
36. Distinguish between expenses and loss ?
37. How profit centre different from cost centre ?
38. What is single cost unit ? Where it is used ?
39. On what basis costs are classified as capital and revenue cost.
40. Distringuish between fixed cost and variable cost ?
41. What is purpose of calculating standard cost ?
42. Name two basic method of calculating cost ?
43. Differentiate between operation costing and operating costing.
44. Name 3 techniques of costing
45. What is difference between marginal costing and absorption costing so far as closing stock is concerned ?
46. State 3 features of job costing
47. State 3 features of process costing
48. Explain expired cost with an example
49. What is out of pocket cost ?
50. What do you mean by direct material ?
51. What are direct or chargeable expenses ?
52. What are manufacturng overheads ?
53. Give 3 appropriation of profit not taken in cost account.
54. How is work in progress treated in cost sheet?
55. Cost sheet
56. Non cost expenses
57. What are element of cost ?
58. Works Cost
59. Two examples of Indirect labour cost
60. How scrap value treated in cost sheet ?
61. Why cash discount is excuded from cost sheet ?

Unit-II

1. Centralised purchasing
2. Who maintains Bin Card ?
3. What is debit note ?
4. Two drawbacks of decentralised purchasing
5. Tender
6. Purchase order
7. Goods Received note
8. Material requisiton note
9. What is periodic stock taking ?
10. Why physical verification is important ?
11. State any two difference between Bin Card and Stores Ledger
12. When FIFO method is suitabel & Why ?
13. When LIFO method appropriate ? Give reasons.
14. When weighted average price method of issue is recommended and why?
15. Who prepares material requisition note and when ?
16. Write two advantages of Bill of Material.
17. What do you mean by bulk order ?
18. Explain double Bin card system ?
19. Write two advantages of codes of material.
20. What do you mean by Annual stock taking method ?
21. What do you mean by perpetual inventory ?
22. What is operating control of material ?
23. State 3 examples of carrying cost.
24. What do you mean by FNSD Analysis ?
25. How spoilage is treated in cost Accounting ?
26. Why maximum level of stock is fixed ?
27. Why danger level of stock is fixed ?
28. EOQ
29. Reorder level
30. Minimum level
31. ABC Analysis
32. JIT Inventory System
33. Waste
34. Scrap
35. Spoilage
36. Normal loss
37. Abnormal loss
38. Write the aspect of material control.
39. State common steps of / in purchasing procedure
40. State the bases of classification of materials, under ABC Analysis.
41. State 3 Examples of carrying cost
42. State 2 examples of ordering cost.
43. Safety stock level
44. Formula for EOQ
45. Write any two advantage of FIFO method.
46. Write any two disadvantages of FIFO method.
47. Write the name of techniques of store control.
48. What do you mean by material control.

Unit-III

1. Who are out workers ?
2. Who prepares employee placement requisition ?
3. What is preventive cost ?
4. Why time cards are kept ?
5. Casual Workers
6. D.A.
7. Motion Study
8. Fringe Benefit
9. What is idle time Card ?
10. Metal Disc Method
11. Attendance Register Method
12. Dial Time Records
13. Halsey Premium Plan
14. How bonous can be calculated under Rowan plan ?
15. Give formula, Labour Turnover according to separation method.
16. Write any two features of a good wage system ?
17. State two principal methods of Remuneration.
18. When piece rate system is applicable ?
19. State two main incentive plans ?

20. How bonus differs in Halsey and Rowan plan?
21. What is Halsey Weir Premium plan ?
22. Indirect labour
23. Bedeaux plan
24. Payment by Result
25. Give formula, Labour Turnover according to Replacement Method
26. What purpose does a Job card Serve ?
27. Name the card which records the time of taking up and finishing the job.
28. What is a wage sheet ?
29. What is daily muster roll ?
30. Name the manual methods of time keeping.
31. Graduated Time Rate
32. Bonus
33. Group Bonus
34. Name two methods of remunerating labourers.
35. State the formula for calculating wage under Rowan Premium plan.
36. State any two benefits of incentive plans.
37. Mention any two purposes of time Booking.
38. Name two methods of payment of bonus to workers.
39. Write short notes on incentive plans / schemes.
40. What is time wage system ?
41. What do you mean by flat time rate ?
42. What are methods of labour turnover ?
43. What are causes of labour turn over ?
44. What is normal idle time ?
45. What is abnormal idel time ?
46. Give two examples of abnormal idle time ?
47. What are causes of normal idle time ?

Unit-IV

1. What is apportinment of overhead ?
2. What are manufacturing overhead ?
3. Purchase Voucher
4. Cost Allocation
5. Ability to pay method
6. Step method
7. Simultaneous Equation method
8. Appointment
9. Absorption
10. Machine hour rate
11. Under absorption
12. Blanket overhead Rate
13. Over absorption
14. Prime cost method
15. Budgetary Control
16. Royalities and patent fees
17. Stores Requisition
18. Standard costing
19. Transit Insurance
20. Write methods of codification
21. What is secondary distribution
22. What is cashbook ?
23. How you calculate predetermined overhead rate ?
24. How normal overhead rate is calculaed ?
25. What is primary distribution of overheads ?
26. What do you mean by distribution cost ?
27. What is classification of overhead ? Give two examples.
28. Producing Department
29. What is reappointment ?
30. What is field method of numerical codes ?
31. Define Departmentalisation of overheads.
32. What do you mean by overheads ?
33. Give two examples of office on cost
34. State any three items of distribution costs
35. State any two items of semivariable cost
36. What are steps in accounting of overheads ?
37. Give two exampole of selling overhead
38. Give two example of fixed overhead
39. Give two examples of variable overhead

3 Marks Answer within 50 words.

Unit-I

1. Explain the meaning of Cost Accountancy.
2. Write any two limitations of cost Accounting.
3. State any 3 difference between cost Accounting and Financial Accounting.
4. Objections against Cost Accounting.
5. Give any 3 requisites of a good costing system.
6. Why is Cost Accountng needed in an organisation ?
7. Mention any 3 points of importance of Cost Accounting ?
8. Mention any 3 points of features of Cost Accounting ?
9. Write any two objective of Cost Accounting.
10. What do you mean by work in progress ?
11. Give 3 examples of Direct Cost.
12. State 3 features of Fixed Cost :
13. What is cost unit ?
14. What is batch costing ? Is it different from costing ?
15. State 3 features of operation costing.
16. What is standard costing ?
17. Distinguish between fixed cost and variable cost.
18. What is Cost Sheet ?
19. How Raw material consumed is calculated ?
20. Define Scrap.
21. How works cost is Calculated ?
22. Distinguish cost sheet from production Account.

Unit-II

1. Define Purchasing.
2. Define Stores ledger.
3. What do you mean by right quantity ?
4. Define Bin card.
5. Distinguish between Bincard and Store ledger.
6. What is goods received note ?
7. Write short notes on stores ledger ?
8. What is purchase requisition ?
9. Write a short note on material requisition ?
10. What is Bill of Material ?
11. State Three advantages of FIFO method ?
12. State three disadvantages of LIFO method.
13. What do you mean by EOQ ?
14. What is ABC Analysis ?
15. What is minimum stock level ?
16. What do you mean by ordering cost ?
17. What do you mean by carrying cost ?
18. Enumerate Disadvantages of over stock ?
19. What are objectives of fixing maximum level ?
20. How do you classify material losses ?
21. Differentiate between Scrap and Deficiency ?
22. Distinguish between normal waste and abnormal waste.

Unit - III

1. What is wage sheet ?
2. What is the meaning of idle time ?
3. State four methods of recording time of workers in an industry.

4. Dstinguish between gross time and net time.
5. Define labour.
6. Define Job Card.
7. What are components of total labour cost ?
8. What is E.S.I. ?
9. What is Payroll ?
10. Give 3 Examples of Indirect wages.
11. Write short notes on over time.
12. What are two methods of Remunerating labourers ?
13. What is Halsey Premium plan ?
14. What is differential piecerate system ?
15. What is payment by result ?
16. What is an incentive plan ?
17. What is straight piecerate system ?
18. What is time wage system ?
19. Give disadvantages of Premium Plan
20. What are requisites of good wage plan ?
21. Write any three advantages of piecerate system?
22. Give Advantages of Rowan Premium plan ?
23. Give example of 3 types of work, where time wage is suitable

Unit-IV

1. Define Overhead.
2. Wht is Behaviourwise classification of over head?
3. Distinguish between cost classification and cost allocation.
4. What is element wise classification of overhead ?
5. What is functional classification of overhead ?
6. What are characterstics of fixed overhead ?
7. What are steps in accounting overhead ?
8. Distinguish between fixed overed and variable overhead.
9. Distinguish between factory overhead and distribution overhead.
10. Distinguish between Allocation and appropriateion of Overhead.
11. Differentiate between over absorption and under absorption.
12. Differentiate between labour hour rateand machine hour rate.
13. What are advantages of machine hour rate.
14. Give any 3 causes of over absorption of overhead.
15. Give any 3 disadvantages of direct material cost method of absorption of production overhead.
16. What are the bases of absorbing depreciation
17. How will you treat interest in Cost Accounting ?
18. Give 5 items of office and administrative overhead.
19. State any five items of selling overhead.
20. How will you treat rent of owned premises.
21. How will absorb administrative overhead ?
22. Actual overhead Rate
23. Predetermined overhead rate

GROUP - B
ANSWERS

Answer within 30 words. Explain the terms in not more than 3 sentences :

Unit-I

1. It is the technique and process of ascertain cost. It is the process of calculating estimated cost of producing.

2. It is the process of Accounting for cost. It begins with recording of income and expenditure and ends with the preparation of periodical statement for ascertaining and controlling cost.

3. It is known as the art of recording, classifying, and summarising in a significant manner and in terms of monetary transactiosn and events which are in part atleast of financial character and interpreting the result.

4. Cost Accounting uses the technique of standard costign and budgetary control for this purpose. The actual cost is compared with the standard to findout variance.

5. Cost Accountant is a financial analyst or specialist who determines the actual costs associated with providing a service or manufacturing a product.

6. It is the application of costing and cost accountign principles, methods and techniques to the science, art and practice of cost cotnroland ascertainment of profitability.

7. (i) To findout total cost and cost per unit of the godos produced during a given perid.
   (ii) To analyse cost element wise, behaviour wise and centrewise for the purpose of cost control.

8. Information about aggregate cost and cost per unit is needed for proper inventory valuation and income generation. It means ascertaining the cost as per requirement.

9. - It's purpose is to provide the information that is needed for preparation of income statement.
   - To know profit loss and balance sheet to know financial position of business.

10. (i) Expensive - It is costly for small firms to bear such expenses.
    (ii) Duplication of work unnecessarily increases the work load.

11. (i) Suitability - It should suit to the requirements of firm.
    (ii) Clearly defined cost centres for accurate cost accumulation.

12. (i) Preparation data required in planning and controlling operation.
    (ii) Cost recording and reporting of costs by product or department.

13. (i) Accurate cost determination in terms of total cost and cost per unit.
    (ii) Cost control by using the techniques fo standard costing and budgetarty control.

14. It is the application of auditing principles and procedure in field of cost accountancy to check arithmetical accuracy and to detect error and prevention of fraud.

15. It aims at real reduction in the unit cost of goods manufactured without sacrificing quality. It should not impair the suitability or quality of product or service.

16. (i) To analyse profitability of each product.
    (ii) Analysis of profitabilty of different departemtns in a business.

17. It depends on the nature of product, method of manufacture, size of firm and organization structure.

18. The amount of resources given to make a product is termed as cost

    For Ex : Fixed cost, Indirect cost, Prime cost

19. The cost incurred to generate revenue is called expenses.

    Ex : Manufacturing cost

20. (i) If no benefit is received from any cost incurred, It becomes a loss.

    (ii) It is a lost cost. For ex : sale of fixed cost causing loss

21. (i) It is a location, a person or an item of equipment with references to which costs are accumulated.

    (ii) It is charged with all cost that relate to it.

22. (i) The unit of product, service or time in relation to which cost may be ascertained or expressed.

    (ii) It accumulates cost relating to its activities.

23. It is financial gain especially the difference between the amount earned and amount spent in buying, operating or producing something.

24. The factors that influence the cost of a particular activity.

    Ex : Factory overhead is influenced by no. of orders

25. Cost incurred to maintian the physical facilities and managerial setup are called committed cost.

    Ex : Rent, Depreciation

26. These costs are otherwise known as programmed cost.

    Its occurrence depends on the discretion of the management.

    Ex : Advertising program, Research and Development

27. The cost is constant upto a given amount of output, then it increases by a fixed amount at a higher level of output.

    Ex: Supervisor salary

28. (i) Cost of producing one additional unit is called marginal cost.

    (ii) When one extra unit is produced, fixed cost remain constant, only variable costs are to be incurred.

29. (i) Cost incurred to increase the earning capacity of a business are called capital cost.

    (ii) For Ex : Purchase price of machinery and equipments.

30. (i) The past cost which have already been incurred are known as historical cost.

    (ii) These cost are used to fixing standard cost.

31. The cost which are not identified with product but cost are incurred on time basis are called period cost.

    For Ex : Rent, Salary, Insurance

32. (i) The cost which are notional in nature (not actual) and do not involve cash payment.

    (ii) It is known as implicit / implied / imputed cost.

33. (i) The benefit lost by rejecting the next best alternative known as opportunity cost.

    (ii) They are not recorded in accounting.

34. (i) The cost which is incurred in past which can't be reversed or avoided by a decision in future.

    (ii) Sunk value/cost=Book value - Scrap value

35. (i) Deriving the cost price of a product from a competitive market price is known as Target cost.

    (ii) It is used to reduce cost through continuous improvement.

36. **Expenses**

    (i) The cost incurred to generate income

    (ii) Ex : Manufactruing expenses

    Loss

    (i) No benefit received from any cost.

    (ii) Ex : Loss on sale of fixed asset

37. **Profit Centre**

    (i) Accumulates cost only

    (ii) Purpose is cost ascertainment and cost control.

    Cost Centre

    (i) Generates reenue by incurring cost.

    (ii) Purpose is to evaluate performance

38. Single cost unit is used in the business which produces tangible goods.

    Ex : ton of coal, ream of paper

39. On basis of relationship with accountign period, costs are classified into capital and revenue.

40. **F.C**

    (i) Total fixed cost remain constant.

    (ii) It is period cost

    V.C

    (i) Total variable cost chagne with volume of production.

    (ii) It is product cost

41. The main purpose of calculating standard cost is to compare it with the actual cost to findout cost variance if any.

42. (i) Job costing

    (ii) Process costing

43. Operating costing is used by an organization for rendering services.

    Operating costing aims at calculating cost of each operation where output is achieved through no. of different operations.

44. (i) Marginal costing

    (ii) Absorpition costing

    (iii) Target costing

45. In marginal costing closing stock are valued at marginal cost where in absorption costing, closing stock is valued at total cost.

46. (i) As per customer's order

    (ii) Each job is distinct and separate

    (iii) Cost of similar jobs can be estimated in future

47. (i) Production is continuous

    (ii) Products are homogeneous and standardised

    (iii) Raw material passes from one process to another

48. It is the cost that has eben recognised as an expenses. This happens when an entity fully consumes or receives benefit from a cost.

49. These are expenses that could be incurred or avoided depending on management's decision. These require a cash payment in the current period or during a project.

50. The material which can be easily identifed with a particular cost unit is termed as Direct material. It forms part of finished product and vary directly with volume of output.

51. The expenses which can be identified in a particular cost centre is termed as Direct chargeable expenses.

    For ex : Royalty, Excise duty

52. The indirect - material, labour and expenses incurred in connection with production opration are termed as manufacutirng overhead / production overhead.

53. (i) Writing off good will, patent, preliminary expenses

    (ii) Income Tax

    (iii) Divided on shares

54. The opening stock of semi-finished goods or WIP is added to prime cost along with factory overhead and closign stock of WIP is deducted therefrom to find works cost / factory cost.

55. When a single article is produced on large scale on continuous basis a statement of cost is prepared to findout total cost and per unit cost known as cost sheet.

56. Those expenses which are not to be included in cost sheet known as non cost expenses.

    Ex : Purely financial charges
    Appropriation of profit
    Abnormal losses and gains

57. Costs of product is comprised of three elements i.e. material, labour and expenses. Each of these elements may be direct or indirect :

    Direct - material, labour, expenses

    Indirect - material, labour, expenses

58. It is obtained by adding factory overhead to prime cost. It is collective cost of direct resources involved in performing the work.

    Works cost = Prime cost + factory over head

59. Indirect labour cost is the wages paid to labourers who are not directly engaged in production.

    Ex : Salary of supervisor and watchman

60. The residue material arising from a manufacturing process having small realisable value is termed as scrap. Scrap arises from cutting of metal, trimming of woods etc. The realisable value of scrap deducted from factory overhead while preparing cost sheet.

61. Cash discount is purely a financial charge. So, it is not incuded in the cost sheet as they are purely financial in nature, and hence don't form a part of cost of production.

Unit-II

1. When all purchases are made by a single purchase department. It is termed as centralised purchasing. In centralised purchasing system, the purchase manager has full authority and control over purchases made by an organisation.

2. Bin card shows details of receipts and issue of material and ultimate balance.
   The store keeper prepares bin card and is answerable to any deficiency.

3. When materials are received either in damaged condition or not in accordance with specirfication these are returned to the supplier with a debit note.

4. (i) It leads to unnecessary duplication of work.
   (ii) Uniformity in quality and standardisation can't be maintained.

5. Quotations are invited from different suppliers by issuing tender form to them. In the tender form possible supply price, quantity, quality and terms of delivery are asked to the prospective sappliers.

6. It is a written request by the purchase officer to the supplier to supply some specified materials as per price and other terms as agreed upon. It is a valid legal document between buyer and seller.

7. Goods Received note is sent to the store keeper along with materials for his records. The store keeper uses the document for pasting on the receipt side of bin card.

8. It is a document which is used to authorise and record the issue of materials from the store. The store keeper should issue materials on presentation of duly authorised stores requisiton note.

9. It refers to stock taking which is periodically performed according to predefined frequency such as once in 6 month and only end of accounting period.

10. In order to verify accuracy of stock record, stock should be counted, measured and weighted at regular interval.

11. **Bin Card**
    (i) It records quantity only
    (ii) It is maintained by store keeper

    Stores Ledger
    (i) It records both quantity and value of material
    (ii) It is maintained by costing department

12. FIFO stands for first in first out. It is suitable, when prices are falling because cost of replacement of materials will be low.

13. When prices are rising, LIFO method is suitable. Because materials are issued fromlatest consignment reflect current price level. So, profit and tax liability will be lower.

14. In period fo heavy flectuation in prices of materials, the average price method is suitable giving better result. Because, it tends to smooth out fluctuations in prices by taking average of prices of various lots in stock.

15. The store keeper always should issue the material on proper authority to avoid misappropriateion of material. The authorty usually is given by the foremen of production department on a form known as material requisition.

16. (i) It serves the purpose of an authority for production department to place requisition for material.
    (ii) It serves purpose of material requisition for issue of material by store keeper.

17. Bulk order is the bulk buying i.e., buying at one time of a large quantity of a particular product. It brings economies of scale thus saving in inventory.

18. Some of concerns divide the bin, rack or shelf in two parts, namely smaller part to store quantity equal to minimum quantity and other part with remaining quan tity. This system known as double Bin card system.

19. (i) Secrecy of materials used in production is maintained.
    (ii) Clerical effort is reduced as length in description is minimised.

20. Under this method, we mean that value of stock is determined by physical counting of stock on accounting date. It is usually ascertaining value of stock at year end.

21. It is a system that maintain record of inventory by controlling department which reflect movement of stock and their current balance.

22. It is concerned with maintaining the optimum level of physical stock according to production requirement and financial resources available.

23. (i) Rent of warehouse
    (ii) Insurance cost
    (iii) Interest on capital

24. By FNSD Analysis, we mean fast moving - Normal moving slow moving and dead material. It represents the movement of each category of material stated above, and their velocity of use.

25. The material which can't be rectified / Badly damaged in process of manufacture known as spoilage. If the cost of spoilage traceable to a specific job or product is charged to the same job / product.

26. It represent the maximum quantity of an item of material which can be held in stock at any time. The quantity is fixed to avoid overstocking.

27. It is fixed because the production will not stop due to shortage of material. The production officer makes special arrangement.

28. The quantity of material to be ordered at one time known as economic ordering quantity. It is fixed in such a manner as to minimise cost of ordering and carrying the stock.

29. It is the point at which if stock of a particular material in store approaches, the store keeper should initiate the purchase requisition for fresh supply of that material.

30. It represents the minimum quantity of material which must be maintained in hand at all times. The quantity is fixed so that production may not be held up due to shortage of material.

31. It measures the cost significance of each item of materials. It concentrates on important items. ABC stands for always better control.

32. It is a demand pull system which means production is undertaken only against customer order. JIT stands for just in time inventory system.

33. The portion of raw material last in process of manufacture having no recovery or realisable value known as waste.

34. The incidental residue obtained from the manufacturing process having minor recovery value known as scrap.

35. The materials badly damaged in process of manufacture, which can't be rectified or brought back to normal specification termed as spoilage.

36. The loss which is bound to occur and can't be avoided is termed as normal loss for Ex : loss due to evaportation and loading - unloading of material.

37. The loss arises due to some abnormal reasons and can be avoided known as abnormal loss. For Ex : Theft, lost by fire or accident.

38. It has two aspect :
    (i) Accounting control
    (ii) Operating control

39. (i) Receiving purchase requisition
(ii) Inviting quotation and selecting supplier
(iii) Placing purchase order and follow up
(iv) Receiving and inspecting material
(v) Return of rejected material
(vi) Checking invoice and passing for payment

40.

ABC Analysis	% of items	% of cost
A item	8%	75%
B item	25%	20%
C item	67%	5%

41. (i) Insurance cost
(ii) Transportation cost in relation to stock
(iii) Clerical cost

42. (i) Cost of stationery used in placing order
(ii) Salary of staff engaged in placing order

43. In order to prevent stockout, most of the firms keep a reserve or safety stock. This stock is to be used only in emergency or abnormal circumstances.

44. $EOQ = \sqrt{\frac{2CO}{I}}$

C = Annual consumption
O = Ordering cost
I = Carrying cost

45. (i) It is useful when prices are falling.
(ii) It is simple to understand and easy to operate

46. (i) Complicated calculations invites possibility of clerical errors.
(ii) When purchases made frequently with price fluctuations. This method invovle complicated calculations.

47. (i) Level setting
(ii) Economic order quantity
(iii) Perpetual inventory
(iv) ABC Analysis

48. It is a systematic control over purchasing, storing and using of material so as to have minimum possible cost of material.

Unit-III

1. Sometimes, workers are required to work outside the factory. These workers are known as outworkers.

2. When a department needs raw workers. It stands a request letter to the personnel department in prescribed form. This requisition must be signed by depart mental head.

3. Cost incurred to prevent workers from leaving the organisation is called preventive cost. These costs are incurred to keep workers satisfied and discourage them from leaving organisation.

4. Time card makes a record of the time of arrival and departure of a worker in a factory and gives information of total time spent by worker which becomes a basis to calculate wage payable.

5. Every business house keeps a regular labour force to meet its requirements. But sometimes due to extra work, additional workers have to be employed for few time. These workers known as casual workers.

6. D.A. stands for Dearness Allowance. It is a cost of living adjustement allowance paid to Govt. Employees public sector employees and pensioners in India.

7. It involves the analysis of the movement of man, machine, material in the production process with the view to eliminae unnecessary movement of factors of producton and to improve method of working.

8. These are non-monetary benefits payable workers such as subsidised food, subsidised housing. It is given to workers to attract and retain the labour force in organisation.

9. Idle time is the difference between time for which employees are paid and employees are booked against cost objective. These timings are recorded in a card known as idle time card.

10. Each workers is allotted a metal disc or a token with a hole bearing his identification number. A Board is kept at the gate with pegs on it and all token are hung on the board known as metal disc method.

11. It is the oldest method of recording time. An attendance register is kept in time office adjacent to factory gate or in each department for workers employed there in.

12. It is a machine which records time of workers. It has a dial around the clock and number of holes and each hole bears a no. of corresponding to identification number of worker concerned.

13. The plan was developed by F.A. Halsey in 1891. It is simply a combination of time and piece rate system under this, A worker is paid at hourly wage for time taken plus Bonus on basis of performance.

14. $\text{Bonus} = \frac{S - T}{S}(T \times R)$,

Earning = Wages + Bonus

S - Standard Time

T - Actual Time

R - Rate per hour

15. This method takes into accunt those workers who have left the organisation.

Labour Turnover Ratio =

$$\frac{\text{No. of workers left during a period}}{\text{Avg no. of workers during the period}} \times 100$$

16. (i) The system of remuneration must be defined in clear terms

(ii) The system of remuneration must be fair to employer and employee.

17. (i) Time rate system - Time Allotted and Time taken

(ii) Piecerate system - No. of untis produced.

18. Under this system, wages is paid according to no. of units produced by a worker.

The earnings of worker depend on no. of output / units produced and not on time taken by him.

19. Incentive plans are introduced by management. Some important incentive plans are :

(i) Halsey premium plan

(ii) Rowan premium plan

20. How bonus differs in Halsey and Rowan plan

Halsey

$\text{Bonus} = \frac{50}{100}(S - T)R$

S - Standard time

R - Rate per hour

Row an

$\text{Bonus} = \frac{S - T}{S}(T \times R)$

T - Actual Time / Time taken

21. It is a variation of Halsey premium plan. The percentage of bonus is fixed at 30% of time saved.

Wages = Time Taken x Rate per hour

22. Those labour which are not directly engaged in production of goods and services. Indirectly helps the direct labour engaged in production, known as Indirect labour. Ex : Supervisor

23. Under this method, standard time for actual work and actual time taken to complete. The same work is expressed in minutes. The minutes calculated is called Bedeaux plan.

24. Under this, a fixed rate is paid for each unit produced. Job completed or an operation performed. Thus payment made according to quantity the work done.

25. Labour Turnover =

$$\frac{\text{No. of workers replaced during a period}}{\text{Average no. of workers during the period}} \times 100$$

26. Job card is used for recording time spent by a worker on different jobs during the total time he has spent in factory. Time shown by job cards becomes a basis of charging labour cost to various jobs.

27. Time card records the time of taking up and finishing the job.

28. The payroll or wage sheet is a consolidated list of workers, which shows the gross deduction and net wages payable to them.

29. Wage sheet is generally prepared department wise and then a consolidated wage sheet is prepared for whole business.

30. (i) Attendance Register method
    (ii) Disc or token ring method

31. A system of wage where basic time rate is flexible so that it may be adjusted according to cost of living index.

32. A bonus is a financial compensation that is above and beyond the normal payment expectations and its receipients.

33. In certain industries such as automobile, engineerng etc., a job is performed by collective efforts of a group of individuals. The total bonus accruing to the group is divided among members on equal basis known as group bonus.

34. (i) Time rate / wage system
    (ii) Piecerate / piece wage system

35. Wages = Actual Time taken x Rate per hour
    $\Rightarrow$ Wages = T x R

36. (i) Increases production as workers are motivated.
    (ii) As output increases, the cost per unit of fixed cost decreases.

37. (i) To ensure that time for which a worker paid is fully utilised.
    (ii) To calculate labour cost of each job or work.

38. (i) Halsey premium plan - $\frac{50}{100}(S-T)R$

    (ii) Rowan premium plan - $\frac{S-T}{S}(T \times R)$

39. The basic purpose is to induce a worker to produce more in the same time period to earn higher wages.

40. Under this method, workers are paid on the basis for time for which they work. Payment is made at an hourly, daily or weekly rate.

41. Under this method, similar grade of workers are paid at one rate per hour, per day, per week, or per month.

42. (i) Separation method
    (ii) Replacement method
    (iii) Flux method
    (iv) Average flux method

43. The causes of labour turnover divided into 3 types :
    (i) Personal causes
    (ii) Avoidable causes
    (iii) Unavoidable causes

44. The idel time which is unavoidable and bound to occur known as normal idel time. It can't be totally eliminaed and is of normal in nature.

45. The idel time not connected with usual routine of manufacture is called abnormal idle time. If precaultionary measures are taken, it can be avoidable.

46. (i) Time lost due to breakdown of machinery and due to inefficiency of works manager.
    (ii) Unnecessary waiting for instruction.

47. Two reasons of normal idle time :
    (i) Time consumed in moving from one job to another
    (ii) Time taken for personal needs, Tea Break etc.

Unit-IV

1. The distribution of such overhead to several departments or cost centres pro portionately on some equitable basis is known as apportionmetn of overhead.

2. It involves company's manufaturing operation for Ex : depreciation, Rent etc.

   It is incurred in manufacturing facilities other than cost of Direct material and Direct labour.

3. A prenumbered voucher which is used in accounts payable department to standardise and enhance a company's internal control over payment to its vendors and service provider. It is matched with invoice.

4. Cost Allocation is defined as allotment of whole item of cost to cost centres or cost units. It refers to charging of expenses which can be identified wholly with a particular department.

5. This principle is based on theory of taxation, state that overhead cost are distributed among different department on basis of their income.

6. Under this method, cost of service department which provides service to the largest numebr of departments (production and service) is distributed first. Then, cost of service department providing service to the next largest number of departments is apportined. The process goes on till last service dept is apportioned.

7. Under this method, the following two equations are used to find total overhead of service departments.

$$x = a + by \quad \ldots \text{(i)}$$

$$y = c + dx \quad \ldots \text{(ii)}$$

8. The item of overhead that can't be identified with a particular department are distributed among related departmetn on some suitable basis and such distribution is technically termed as apportionmetn of overhead.

9. Charging of overheadcosts of a production department to the units produced by its, is technically known as absorption of overhead.

10. The cost of running a machine per hour is termed as machine hour rate.

Machine hour rate =

$$\frac{\text{Production overhead apportioned to a machine}}{\text{No. of hours run by the machine}}$$

11. The amount of overhead absorpton in costs is less than the amount incurred which may be due to actua expenses exceedign the estimates and / or the output or hours worked less than estimate. The difference known as under absorption.

12. When a single overhead rate is computed for the factory as whole known as blanket overhead rate.

Blanket Rate =

$$\frac{\text{Overhead cost for entire factory}}{\text{Total quantum of base selected}}$$

13. If the amount absorbed is more than the expenditure incurred due to expenses being less than the estimates and / or the outpur or hours worked exceeding the estimates, It would mean over - absorption.

14. In this method, the prime cost is taken as the base. This method is based on logic that both material and labour give rise to overhead.

$$\text{Overhead Rate} = \frac{\text{Factory overhead}}{\text{Prime cost}} \times 100$$

15. It refers to how well managers utilise budgets to monitor and control costs and operations in a given accounting period.

16. The royalities typically are a percentage of the gross sales of product using your patents. Although, each situation must be ovaluated separately. It is usually 3% to 6% of grass sales.

17. Indirect material e.g. brushes, broom, soap, oil, grease, waste cloth etc. drawn from stores are obtained from the store requistion which shows standing order numbers.

18. It is an accounting system used by some manufacturers to identify the differences or variances between actual cost of goods that were produced and costs that should have occurred for actual goods produced.

19. It is a policy that covers business goods or personal belongingswhile they are being moved from the place of loading to stated destination over land by a certain transport mode.

20. (i) Mneoric method
(ii) Decimal method
(iii) Field method numerical codes

21. The process of redistributing the cost of service departments among the production departments is known as secondary distribution.

22. Where transactions occur more frequently for petty expenses, 'cash book' is throughly scrutionished and indirect expenses are properly collected against standing order number for each department.

23. It is determined in advance of actual production and is computed by dividing budgeted overhead expenses for accounting period by budgeted base -

$$\frac{\text{Budgeted overhead for given period}}{\text{Budgeted base during that period}}$$

24. Normal overhead Rate =

$$\frac{\text{Normal overhead}}{\text{Base at normal capacity}}$$

25. For allocation and apportionment of overhead, among the production and service departments - a statement is prepared showing the item of overhead, the basis of appointment and share of each department. It is termed as primary distribution of overhead.

26. All indirect costs incurred in sendign the finished goods from factory to ultimate consumers are termed as distribution cost / overhead. These include - packaging cases, oil, grease, carriage out ward.

27. (i) The types of overhead classified on different basis known as classification of overhead.

    (ii) Ex - Function wise, Behaviour wise

28. A department where actual process of manufacturing is carried on is called manufacturing or producing department. It covers direct manufacture and is engaged in converting raw materials into finished goods.

29. Under this, the total as shown in the departmental distribution summary are put out in a line and then is service department are exhausted in turn repeatedly to agreed percentage.

30. This method is used in those concern which are working under mechanised system with punched card in accounting. It is considered more suitable for large sized organisation.

31. Before going for allocation and apportionment, it is necessary to departmentalise overhead. A department may be production, service or partly producing department.

32. The operating expenses of business which can't be traced directly to a particular department or cost centre known as overhead.

    For example : Indirect-material, labour, expenses

33. (i) Indirect material - printing and stationary for administration

    (ii) Indirect wages - salary and wages of foremen, supervisor

34. (i) Indirect material-packing case, oil, grease

    (ii) Indirect wages - salary of despatch clerk and packers

    (iii) Indirect expenses - carriage outward, rent and rates

35. Some overhead cost remain constant upto a certain level of activity, then increases with increase in output.

    Ex.: Telephone expenses

    Salesman salary plus commission

36. Classification of overhead codification of overhead collection of overhead departmentalisation of overhead absorption of overhead

37. Indirect material - printing catalogue, price list, gift, free samples

    Indirect wages - salary and commission to salesman, agent

38. (i) Rent and insurance of building

    (ii) Depreciation on plant and machinery

39. (i) Power, fuel, supplies

    (ii) Workmen's compensation, lubricants, indirect labour

3 Marks Answer within 50 words.

Unit-I

1. By Cost Accountancy we mean :
   (i) Application of costing and cost Accounting principles
   (ii) Art, Science and practice of cost control
   (iii) Ascertainment of profitability

2. (i) Cost Accounting lacks a uniform procedure
   (ii) There are a large no. of conventions, estimates and flexible factors.

3. **Cost Accounting**
   (i) These Account / Reports can be prepared monthly, half yearly or yearly.
   (ii) Maintenance of reports and records voluntary nature.
   (iii) The information are prepared for internal users.

   Financial Accounting
   (i) The reports are prepared only at end of year.
   (ii) These records are prepared as per legal requirement of companies Act.
   (iii) The informations are prepared for external parties.

4. (i) Want of necessity
   (ii) In applicability
   (iii) Lack of uniformaty

5. (i) Integration with Financial Accounting for better control and avoidance of duplication of work.
   (ii) Suitability : It must be according to requirement of firm.
   (iii) Flexibility : It must have characterstic of adoptability.

6. It is needed to :
   (i) Ascertainment and analysis of cost
   (ii) Accumulation and utilisation of cost data
   (iii) Providing useful data to management

7. (i) It measures the efficiency
   (ii) Helps in cost control
   (iii) Helps in Decision - making

8. (i) Branch of Accounting for cost
   (ii) Income and expenditure relating to production of goods and services
   (iii) Cost of every product, job or work

9. (i) To ascertain cost per unit of different product and correct Analysis of cost.
   (ii) To control various operations through evaluation of operating result and fixation of responsibility on individuals.

10. (i) WIP means units on which some work has been done but which are not yet complete.
    (ii) It is valued at prime cost or works cost basis.
    (iii) Instruction should be followed for proper producing of product (From Raw Material to Finished goods).

11. The direct cost incurred for and may be conveniently identified with a particular cost centre and cost unit.

    3 Examples of Direct cost -

    Direct material cost

    Direct labour cost

    Direct expenses (Manufacturing process)

12. (i) Remain fixed irrespective of output
    (ii) Fixed cost per unit will decrease as per increase in output -
    (iii) Fixed cost per unit will increase as per decrease in output
    (iv) The total fixed cost remain constant and not affected by total output.

13. (i) Cost unit is a device for purpose of breaking up or separating cost into smaller divisions.
    (ii) For Example :

    Material cost per unit - $\frac{200000}{10000} = \text{Rs.}20$

    Generated by an Adobe Application

    Total Material qty. - Rs. 10,000

    Price of Material - Rs. 2,00,000

    (iii) Cost unit may be ton, kilo, metre etc.

14. (i) Batch costing is a form of job costing and product of identical nature are incuded in it.
    (ii) Batch costing is applicable in manufacture of medicine, nuts and bolts.
    (iii) It is not different from costing. It is a method of costing.

15. (i) It aims at calculating cost of each operation.
    (ii) It is similar to process costing
    (iii) Finally, cost of all operations are added

16. (i) It is a predetermined cost based on technical estimates.
    (ii) Compared with actual cost of check deviation if any.
    (iii) It is helpful to evaluate the variance

17. **Fixed cost**
    (i) Total fixed cost remain constant
    (ii) These are time based so known as period cost
    (iii) These cost are not relevant to decision making

    Variable cost
    (i) Total variable cost will change with change in output
    (ii) These are based on volume of production so known as product cost
    (iii) These costs are relevant to decision making

18. (i) A statement which shows total cost, cost per unit and cost of goods sold, known as cost sheet.
    (ii) It is the combination of all direct and indirect cost / expenses.
    (iii) It includes prime cost, works overhead, Administrative over head, selling and Disribution over head etc.

19.

Opening stock of Raw material	X X X
(+) Purchase of Raw material	X X X
(-) Closing stock of Raw material	X X X
Cost of Raw material consumed	X X X

20. (i) It is the residue arising from manufacturing process having small redisable value.
    (ii) It arises from cutting of metal, woods
    (iii) The realisable value of scrap is deducted either from factory overhead or from factory cost while preparing a cost sheet.

21. (i) Prime cost + Works overhead = Works Cost
    N.B

Direct material	X X X
Direct wages	X X X
Direct expenses	X X X
Prime Cost	X X X
Factory/works over head	X X X
Works cost	X X X

22. **Cost Sheet**
    (i) It is presented as a statement.
    (ii) It shows total cost and cost per unit.
    (iii) It is a single entry statement.

    Production Account
    (i) It is presented in financial Accounting from by preparing Account.
    (ii) It shows Debit side and credit side balance
    (iii) It is based on Double entry system

Unit-II

1. It is defined as procurement of Raw material, supplies, tools, office stationery and other items required in operation of an enterprise at economical price is termed as purchasing.

2. (i) It is maintained by costing department.
    (ii) It is identical with bin card.
    (iii) It is recorded on continuous basis

3. (i) Less quantity will lead to stoppage in production.
    (ii) More quantity will lead to unnecessary excessive cost
    (iii) Ordering and carrying cost will be more or less depending market condition

By right quantity it means to purchase material as per requirement of the concern.

4. (i) It is a rack or shelf where materials are kept and quantity of material receipt and issue are recorded.

   (ii) Separate bin cards are maintained for different materials.

   (iii) Bin card can be used as doubel bin system where one bin holds minimum stock and other part will store rest of material.

5. **Bin Card**

   (i) It records quantities only.

   (ii) It is maintaned by store keeper.

   (iii) Entries made before transaction takes place.

   Stores ledger

   (i) It records both quantity and value of material.

   (ii) It is maintained by costing department.

   (iii) Entries made after transaction takes place.

6. (i) Goods received note prepared when all incoming material received and in spected against purchase order.

   (ii) Goods receiving done by separate receiving and inspecting department by large organisation.

   (iii) In small organization, it is done by store keeper.

7. (i) It is maintained by costing department.

   (ii) It is a continuous record of receipt, Issue and closing balance of each item of material in both quantity and value.

   (iii) It is maintained in form of loose leaf cards or separate bindng for each type of material.

8. (i) It is a formal request to purcahse department for purchasing material.

   (ii) It is in a prescribed from with description about material required.

   (iii) The purchase officer authenticates it.

9. (i) It authorises store keeper to issue materialfrom stores.

   (ii) When a department needs material, It sends a requisition in prescribed form to store keeper requesting him to supply certain material.

   (iii) The written request known as material requisition, usually prepared in triplicate.

10. (i) It is a complete list of all materials required for completion of a job.

    (ii) It helps in cost control

    (iii) It forms a basis for passing entires in stores ledger and cost ledger.

11. (i) Easy to understand and calculate

    (ii) Logical for application

    (iii) Suitable for falling price

12. (i) Not logical

    (ii) Cumbersome

    (iii) Not suitable at falling price

13. (i) It is the order quantity that minimises total holding cost and ordering cost.

    (ii) It is the quantity to be ordered in one order.

    (iii) Cost of carrying = cost of placing order. It is also known as recording quantity.

14. (i) A item - High value & small percentage of total quantity

    B item-Medium value = percentage of quantity

    C item-Low valued item & Higher quantity

    (ii) ABC stands for always better control.

    (iii) It is an inventory categoresation technique.

15. (i) It is applied to avoid shortage of material and prevent stock out. It is the safety stock level.

    (ii) Minimum level = Reorder level - (Average rate of consumption x Average reorder period)

    (iii) It is the minimum quantity of raw material available.

16. (i) These are the expenses to incurred to create and process an order to supplier.
    (ii) For example : Cost of stationary, salary of staff, Telephone charges.
17. (i) Carrying cost of inventory or holding cost refers to total cost of holding inventory.
    (ii) It also includes maintainance specifically in regard to perishable items and storage cost.
    (iii) Example : Rent of ware house, Insurance cost
18. (i) It affect cash flow of business
    (ii) It brings more cost of storage
    (iii) A type of ineffective buying
19. (i) To avoid unnecesary blocking of capital
    (ii) Reduce cost of storage
    (iii) Obsolence
20. (i) Waste
    (ii) Scrap
    (iii) Spoilage
    (iv) Defect
21. **Scrap**
    (i) It is connected with output
    (ii) It is usually residue of product / material / goods.

    Deficiency
    (i) It is connected with input as well as output.
    (ii) It is undesired irrigularity in product/ goods.
22. **Normal waste**
    (i) It is the estimate before production.
    (ii) It is inherent in nature of raw material.
    (iii) The good units absorb the cost of waste.

    Abnormal waste
    (i) It is actual waste after/in progress process of production.
    (ii) It is accuring because of low quality/ sub-standard ouput.
    (iii) It can't be absorbed in good units.

Unit-III

1. (i) It is a statement which shows name of workers along with grass wages and net wages payable to them during a particular period.
    (ii) The payroll departmetn or personnel department manages it.
2. (i) It is the unproductive time on part of employees or machine caused by management or as a result of factor beyond control.
    (ii) Employer pays for it, but no production done.
    (iii) It is of 2 types : Normal and Abnoraml idle time
3. Four methods are as follows :
    (i) Attendance register method
    (ii) Disc or token method
    (iii) Time recording clock
    (iv) Dial Time Recorder
4. **Gross Time**
    (i) It fefers to whole time of work allotted to labour.
    (ii) It is helpful for time calculating, total presence of labour in organisation.

    Net time
    (i) It refers to a part after deduction.
    (ii) It is helpful in calculating payment payable to worker.
5. (i) The physical and mental effort put to manufacture a product is called labour.
    (ii) It is of 2 types - Direct and Indirect labour
    (iii) Direct labour engaged in production directly and indirect labour forms supplementary part to smooth production.
6. (i) It is a card used to keep a close watch on time spent by a worker on each job.
    (ii) Helpful conveniently to ascertain labour cost.
    (iii) It is a detailed description about work that is performed for a work order.

7. (i) It is the overall cost to a company associated with employees including their payments in monetary and non monetary terms.
   (ii) Its components are - wages, benefits, taxes, and Insurance.
   (iii) The Human resource manager takes the cost into consideration.
8. (i) ESI stands for Employees State Insurance.
   (ii) It is self financing social security and health insurance scheme.
   (iii) It is for workers. The fund is managed by employee State Insurance Corporation.
9. (i) It is a company's list of its employees.
   (ii) It is commonly refer to total amount of money company pays to its employees.
   (iii) A company's records about employee's salary wages, taxes, insurance and deductions.
10. (i) Salary of supervisor
    (ii) Salary of factory clerk
    (iii) Salary of watchman
11. (i) The time put in by the employees beyond normal working hours is called overtime.
    (ii) It is paid as per factories Act, 1948.
    (iii) It is the extra amount paid to employees including the regular wages payable.
12. There are two method of remunerating labourers :-
    (i) Time rate system : Where time factor considered for payment to employee / labourers.
    (ii) Piecerate system : Where output or unti produced taken into consideration for payment to employee / labourers.
13. (i) Under this method, standard time for doing each job or operation is fixed, and workers are given wages for actual time he takes to complete job.
    (ii) Under this wages and bonus payable to worker on time basis.
14. (i) It is a method of wage payment in which after tests have set a standard time for any task assigned the worker gets a high piecerate for completing job within time and lower piece rate for completing job beyond allotted time.
    (ii) It is introduced by Fredrick winslow Taylor.
    (iii) It also facilitates penalties for slow workers.
15. (i) It is also known as piece rate system.
    (ii) It is refering to payment according to no. of units produced by labourers.
    (iii) It most focus on quantity of work done.
16. (i) These are method in which employees of an organisatin are kept motivated for the work that they do.
    (ii) It can be for all level of employees.
    (iii) It helps in reducing labour turnover, create and sustain worker satisfaction.
17. (i) It is the simplest piece rate method of payment by result in which payment is made according to no. of unit produced at a fixed rate per unit.
    (ii) It is simple by nature.
    (iii) It focus on output produced
18. (i) Under time wage system, The payment is made to labourers on actual time taken to produce the output.
    (ii) Time is the main factor for wage payment.
    (iii) Workers are paid daily, weekly, monthly.
19. (i) Difficulty in establishing labour rates
    (ii) Tough to withdraw a premium scheme
    (iii) It is complicated in nature to choose its suitability
20. (i) Proper working climate
    (ii) Scientific determination of workload
    (iii) Schould be simple and flexible in nature
21. (i) Incentive to efficient workers
    (ii) Increases production capability
    (iii) It lowers cost

22. (i) Guarantees time wages to workers
    (ii) Quality of work does n't suffer much
    (iii) Labour cost per unit is reduced

23. (i) Artistic work
    (ii) Chemical reaction
    (iii) Maintenance and repair work

Unit-IV

1. (i) It is the sum of all indirect cost i.e, Indirect material, Indirect labour and Indirect expleses.
   (ii) Any cost over the prime cost includes overhead.
   (iii) Ex. : Factory overhead, Administrative overhead

2. (i) Fixed overhead - The cost which remain fixed with change in volume of output.
   (ii) Variable overhead - The cost which varies with change in volume of output.
   (iii) Semi variable overhead - Partly fixed and partly varies in nature with change in output.

3. **Classification**
   (i) It means grouping of cost according to common characterstic.
   (ii) It can be categorised on basis of :
      (a) Function wise
      (b) Behaviour wise

   Allocation
   (i) It means process of charging entire amount of specific cost centre.
   (ii) It can be categoreised according to no. of department, cost center or cost units and charged to the same

4. Element wise, It is of 3 types :
   (i) Indirect material
   (ii) Indirect labour
   (iii) Indirect Expenses

5. (i) It is of classification on basis of function performed.
   (ii) It is of 4 types
      a. Production overhead
      b. Administrative overhead
      c. Selling overhead
      d. Distribution overhead

6. (i) It does not vary with change in output.
   (ii) It is substantially greater than amount of variable cost.
   (iii) Fixed manufacturing overhead is a subset of fixed overhead.

7. (i) Classification of overhead
   (ii) Codification of overhead
   (iii) Collection of overhead
   (iv) Departmetnalisation of overhead
   (v) Reapportionment
   (vi) Absorption of overhead

8. **Fixed**
   (i) It remain constant with chagne in output
   (ii) The cost per unit fluctuates with increase or decrease in output

   Variable
   (i) It varies with output
   (ii) The cost always tends to change with volume of output

9. **Factory OH**
   (i) It is cost incurred during manufacturing process.
   (ii) Ex : salary to supervisor property tax on plant & machinery

   Distribution OH
   (i) It is portion of marketng cost indicated by distribution cost.
   (ii) Ex : Advertising

10. **Allocation OH**
    (i) It is a direct process
    (ii) The whole item of overhead cost included.

    Appropriation OH
    (i) It is indirect process
    (ii) The proportionate item of overhead cost considered.

11. **Over absorption**
    (i) It means amount of overhead is more than actual overhead
    (ii) Amount of profit recognized Increases

    Under absorption
    (i) It means amount of overhead is less than actual overhead.
    (ii) Amount of profit recognized declining

12. **Labour hour rate**
    (i) It is a method of charging absorption of overhead to cost centre or unit.
    (ii) It is applicable to less mechanised sectors.

    Machine hour rate
    (i) It is one of method of absorption of factory overhead into production.
    (ii) It is applicable to chemical steel and steel and engineering sector

13. (i) It is a scientifc, practical and accurate method of absorption of factory overhead.
    (ii) It takes into consideration the time factor and give better result.
    (iii) It provide useful data for estimating cost of a job, setting standard and fixing selling price for quotation.

14. (i) Wrong estimation of overhead cost
    (ii) Change in production capacity
    (iii) Change in method of production

15. (i) Illogical in nature
    (ii) Leads to high or low overhead rates
    (iii) Overhead cost vary with time

16. (i) Plant register Property tax on plant and machinery used in factory.
    (ii) Floor area occupied
    a. Area occupied by industrial concern for productive and non productive uses.
    b. Power connection according to material occupied area.

17. (i) As wages form part of production cost, interest must also form part of production cost.
    (ii) As interest paid on borrowed capital is included in cost Accounts.

18. (i) Front office and sales salaries
    (ii) Office salaries
    (iii) Outside legal and Audit fees
    (iv) Sales Telephone
    (v) Administration and sales office lease

19. (i) Printing of catalogue and price list
    (ii) Gift
    (iii) Free samples
    (iv) Salary to sales staff
    (v) Collection charges

20. If rented building is used for both manufacturing and non-manufacturing activities. The rent should be allocated to each.

21. (i) Collect all administrative expenses.
    (ii) Allocate office expenses
    (iii) Apportion other administrative overhead
    (iv) Calculate a single absorption rate

22. (i) It refers to a manufacture's indirect manufacturing cost.
    (ii) Cost that are outside of manufcturing operation, such as marketing and general expenses which are not applied or assigned to product.
    (iii) AOR = $\frac{\text{Total overhead}}{\text{no. of direct labour hours}}$

23. (i) It is the standard or budgeted overhead rate.
    (ii) It is calcualated by =

    $$\frac{\text{Total Estiamted manufacturing overhead cost}}{\text{Estimated number of machine hours}}$$

    (iii) It is the rate used to apply manufacturing overhead to work in progress inventory.

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GROUP - C
LONG QUESTION

Unit-I

1. Define cost accounting Explain nature and scope of cost accounting.
2. Discuss Advantages and Disadvantages of cost accounting.
3. Drawout a distinction between cost accounting and financial accounting.
4. "Cost Accounting is important aid to management". Discuss main points in support of this statement.
5. Discuss in details the elements of cost.
6. Explain various methods of costing.
7. Explain different techniques of costing.
8. Draw out a classification of costs.
9. Prepare cost and profit statement.

   From the following particulars relating to the manufacture of a product during the month of June 2018.

Raw material consumed	1,50,000
Direct Wages	90,000
Machine hour rate	50
Administrative overhead	20% on works cost
Selling overhead	₹5 per unit
Units produced	11,400
Sunits sold	10,000
Selling price	₹40 per unit

   You are required to prepare a cost sheet from the above showing the cost per unit, profit per unit sold and profit for the year 2018.

10. The Accounts of M/s. Zed Computers Ltd. shows the folliwng cost for the month of June 2018.

Materials used	Rs. 3,30,000
Wages paid	Rs. 2,40,000
Factory expenses	Rs. 80,000
Administrative expenses	Rs. 65,000
Selling and Advertising cost	Rs. 33,750

What price should the company quote for a computer ? It is estimated that Rs.1500 for materials Rs.900 for labour will be required for one set. Factory expenses are to be taken on basis of labour, administrative expenses on basis of works cost and advertising expenses on basis of cost of production. A profit of 10% on cost of sale is required.

11. XYZ ltd. has produced two types of product is A & B. From the following information prepare a statement showing cost and profit per each book sold. There were no stock.

	Product A	**Product B**
Materials	Rs. 45,000	Rs.1,20,000
Labours	Rs. 24,000	Rs. 72,000

Factory overhead are recovered at 75% on labour, office overheads at 10% on factory cost. The selling price of each unit is Rs.50 for produciton A and Rs.49 for product B. 2000 units of product A and 6000 units of product B were manufactured and sold during the period.

12. Draw a performa of statement of cost and profit with some imaginary figures.
13. Ascertain -

    (i) prime cost, (ii) works cost (iii) cost of production (iv) Total cost (v) sales

    The informations are furnished below :-

    Direct materials consumed 1000 units @Rs.40 each. Direct labour hours utilized 1000hrs @25p.h. other direct expenses Rs.10,000, Factory overheads 40% of prime cost. Administrative expenses Rs.15,000, Selling & distribution expenses Rs.5000, and profit 8% of the cost of goods sold. Total units produced and sold are 1000 units.

14. Mr. A furnishes the following data relating to the manufacture of a standard product during month of January 2018.

Raw material purchased	Rs.45,000
Opening stock of RM	Rs.12,000
Closing stockof RM	Rs.15,000
Direct labour cost	Rs.27,000
Machine hour worked	900 hrs
Machine hour rate	Rs. 15
Carriage in ward	Rs.3000
Selling overhead	Rs.2.50 P.U
Units produced	17,100
Opening stock of finished goods 200 units	Rs.4.50 P.U
Units sold	Rs.16000
Selling price per unit	Rs.12
Administrative overhead	20% of works cost

You are required to prepare

(i) Statement of cost

(ii) Statement of profit

15. Following figures relate to a factory for the month of January, 2018.

Administrative over head	Rs.1 per unit
Selling and distribution overhead	10% of sales
Closing stock of finished goods	10,000 units
Opening stock of finishd goods 5000 units	Rs.45000
Purchase of material	Rs.2,57,100
Direct wages	Rs.1,05,000
Factory overheads	150% of wages
Sales (45000 units)	Rs.6,60,000

Prepare a statement of cost and profit for month of January 2018 assuming sales on FIFO mehod.

16. Find sales from following

Direct materials	Rs.50,000
Direct expenses (wages)	Rs.25,000
Direct expenses	Rs.5000
Works cost	110% of prime cost
cost of production	120% of works cost
cost of production	80% of cost of sales
Profit	8.33% of sales

Unit-II

1. What do you mean by purchasing ? What are the objectivesof purchasing ?
2. Define purchasing ? Explain different principles of purchasing.
3. What do you mean by centralised and Decentralised purchasing ? Differentiate between the two.
4. Write down the function performed by purchase department and what are the qualification of a purchase officer ?
5. Write short notes on :
   (a) Purchase requisition
   (b) Right Quality of Material
   (c) Decentralised purchasing
   (d) Purchase and Stores department
6. Differentiate between Bin card and stores ledger, discuss the need of store keeping.
7. What is perpetual inventory system ? Discuss its advantages ?
8. What is Average method of material issue, Discuss in brief ? Explain its advantages and Disadvantages.
9. Prepare stores ledger under LIFO Method :

Date		**Particulars**	**Units**	**Price (Rs.)**
2009				
April	1	Balance	400	2.50
	2	Purchased	275	2.70
	4	Issued	200	-
	6	Purchased	275	2.80
	11	Issued	200	-
	19	Issued	275	-
	22	Purchased	275	2.90
	27	Issued	200	-

10. Prepare stores ledger under FIFO Method :

1.1.2018	Opening stock 200 units @ 3
2.1.2018	Received stock 300 units @ 4
4.1.2018	Issued 250 units
6.1.2018	Received 100 units @ Rs.2
7.1.2018	Issued 50 units
8.1.2018	Received 300 units @ Rs.3
10.1.2018	Issued 200 units

11. Prepare stores ledger for the month of 2018 under LIFO, simple Average price method.

Receipt Dates	Qty	Rates
1-3-18	800 units	25 P.U
19-3-18	1000 units	23 P.U
31-3-18	400 units	21 P.U
Issue Dates	Qty.	
3-3-15	1000 units	
11-3-15	800 units	
23-3-15	600 units	
25-3-18	200 units	
31-3-15	200 units	

On 1st March 2018 opening stock was 1250 units at Rs.27 per unit.

12. The following information is available in respectof material no. 50

Reorder Quantity	1500 units
Reorder period	4 to 6 weeks
Maximum consumption	400 units per week
Normal consumption	300 units per week
Minimum consumption	250 units per week

Calculate :

Reorder level, Maximum level, Minimum level and Average stock level.

13. Calculate Reorder level, Reorder quantity and Average stock level :

Normal usage	100 units per day
Minimum usage	60 units per day
Maximum usage	130 units per day
Minimum level	1400 units
Maximum level	7800 units
Reorder period	20 to 30 days

14. Find from the following particulars, the Economic order Quantity :

(i)	Annual Demand	12000 units
(ii)	Ordering cost	90 per order
(iii)	Inventory carrying cost	P.A Rs.15 P.U.

15. Calculate EOQ :

(a)	Annual Consumption	12,000 units (360 days)
	Cost per unit	Rs.1
	Ordering cost	Rs.12 per order
	Inventory carrying charges	24%
	Normal lead time	15 days
	Safety stock	30 days Consumption

(b) Also find when order should be placed and what should be ideal inventory level immediaely before the ordered material is received.

16. How do you treat the following items in cost accounts -

(i) Defective

(ii) Scrap

(iii) Spoilage

17. What is difference between normal wastage and abnormal wastage. Explain steps taken into consideration to reduce / eliminate them.

18. Differentiate between spoilage and defectives and what are their treatment in cost accounts and how to reduce it.

19. Adarsh company purchased and issued the material in the following order :

1st January	Purchase	300 units @ 3.00
5th January	Purchase	600 units @ 4.00
10th January	Issue	500 -
12th January	Purchase	700 @ 4.00
15th January	Issue	800 -
20th January	Purchase	300 @ 5.00
30th January	Issue	100 -

Ascertain quantity of closing stock as on 31st January and state its value under each of following methods :

Unit-III

1. Write the characterstics of ideal wage payment.
2. What are important duties of time keeping department ? Describe the different methods of recording employees time in and out in the factory.
3. Explain :
   (i) Labour Turnover
   (ii) Direct Labour cost
   (iii) Overtime wages
4. Distinguishing between :
   (i) Time Keeping and Time Booking
   (ii) Direct labour cost and Indirect labour cost
   (iii) Normal Idle time and Abnormal idle time
5. What is labour turnover. How do you measure labour turnover ? Enumerate the causes of labour turnover.
6. Explain various functions of Time Keeping and time Booking deparment.
7. Explain the advantages and disadvantages of time wage system and piecerate system.
8. Distinguish between time wage and piece rate system.
9. A worker is given an option to choose time wage and/or piece rate system for his remuneration. From the following particulars determine the most preferable method for the workers :

Rate per hour	=	₹ 6 per hour
Piece Rate	=	₹ 5 per unit
Actual hours worked	=	38 hours
Actual units produced	=	46

10. Describe Rowan Premium plan briefly ?
11. Explain in details, Taylor's differential piece rate system.
12. What do you mean by Merrick's multiple piece rate system? Explain its advantages and disadvantages.
13. What do you mean by premium plan ? Explain the principal premium plans.
14. Make a comparative study between Halsey and Rowan Premium Plan.
15. Explain characteristics of good premium plan.
16. Calculate earning of a worker from the following information.
    Standard time 30 hours Time taken 20hrs Hourly rate of wages Rs.10 per hour plus a dearness allowance @ Rs.5 per hour worked.
    (i) Time rate method
    (ii) Piece rate method
    (iii) Halsey plan
    (iv) Rowan Plan
17. From the following information calculate labour cost chargeable to the Job in respect of an employee who is paid according to : (a) Rowan Scheme (b) Halsey Scheme
    Time allowed 24 hours
    Time taken 17 hours
    Rate of pay : ₹26 per hour
18. Calculae earning of workers A and B under straight piece rate system and Taylors differential piecerate system from the following :
    Normal rate per hour = Rs.24
    Standard Time per unit = 30 seconds
    Differentials to be applied :
    80% of piece rate below standard 120% of piece rate at or above standard.
    Worker A produces 800 units per day and
    Worker B produces 1000 units per day
    Daily working hour - 8
19. Calculate under Halsey and Rowan Premium Plan :

Time allowed	48 hours
Time taken	40 hours
Rate per hour	Rs.40

    Findout total earnings
20. On basis of following information, calculate the Earning of A and B under straight piece rate system and Taylors differential piece rate system.
    Standard production - 8 units per hour
    Normal time rate - Rs.40 per hour
    Differentail to be applied :
    80% of piece rate below standard
    120% of piece rate at or above standard
    In a nine - hour day, A produces 54 units and B produces 75 units.
21. What are the factors to be considered in a premium plan ?

Unit-IV

1. Write in brief about classification of Overhead.
2. Define classification of overhead, what are the advantages of it.
3. Define codification state its objectives and various methods of codification.
4. What is production overhead? State the sources of/from which production overhead is collected.
5. What is departmentalisation ? Outline the objectives of departmentalisation ?
6. Define allocation and apportionment. Distinguish between them.
7. Outline the principles of apportionment.
8. What is secondary distribution? What are its bases?
9. Explain various methods of secondary distribution.
10. What are reciprocal costs ? How would you deal with reciprocal costs.
11. Explain Mnemonic and Numerical Method with example.
12. What are factory overhead ? Describe clearly their characterstic or nature from the viewpoint of overhead accounting.
13. Distinguish between, Fixed, Variable and Semi-variable overhead, with each of its example.
14. What do you mean by over absorption and under absorption of overhead? Explain the causes and how to eliminate it.
15. In what respect is Direct labour hour rate method of absorbing overhead different from percentage on Direct Wage Method ?
16. Apportion the followign overheads among the three departments X, Y, Z of a factory. Rent Rs.60,000; Lighting Rs.27,000; Supervision Rs.22,500; Depreciation Rs.45,000.

    Additional information :

	X	Y	Z
Area (Sq. metres)	1500	800	700
No. of light points	50	40	60
No. of workers	30	20	10
Machinery (Rs.)	90,000	60,000	50,000

17. The total production overheads of production department P1 for the month of June were Rs.40,000. The material and labour cost for some period were Rs.1,20,000 and Rs.80000 respectively.

    Calculate the total cost of Job No.52 using following method of absorption of overheads :

    (i) Direct material cost method
    (ii) Direct labour cost method
    (iii) Prime cost method

    The material consumed on Job No.52 is Rs.6000, Labour cost incurred is Rs.5000. There are no other overheads.

18. From the data given below calculate machine hour rate :

Estimate cost of machine	Rs.16000
Estimate scrap value	Rs.1000
Effective working life	10000 hours
Running time per for weekly period	160 hours
Average cost of repairs and maintenance charge for 4 weekly period	Rs.120
Standing charge allocated to machine as per 4 weekly period	Rs.40
Power used by machine 4 units per hours	@ 5 paise per unit

19. Work out the comprehensive machine hour rate of sawmill from the following itmes of informatin extracted from the accounts of a workshop :

(i) Purfchase price of saw mill	Rs.40,000
(ii) Railway frieght, other incidental charges and installation charges	Rs.10,000
(iii) Life of saw mill is 10 years (2000 working hours per year)	
(iv) Repair charges	40% of Depreciation
(v) Consumption of elctric power	20 units ph @10 per unit
(vi) Lubricating oil	Rs. 2 per day of 8 hours
(vii) Consumable stores	Rs.10 per day of 8 hours
(viii) Wage of machine operator	Rs. 4 per day of 8 hours
Residual scrap value of saw mill	Nil

20. Calculate Machine hour rate for machine M1 from following data :

Cost of Machine	Rs. 20000
Estimated scrap value	Rs. 2000
Effective working life	10000 hours
Running time for four	200 hours
Average cost of (four weekly period) repairs	Rs. 120
Standing charges allocated to machine 1 per four weekly period	Rs. 40
Power used by machine :	4 units /per hour at cost of 5 paise per unit

21. Computed the Machine hour rate from following :

Monthly rate and rates for workshop	Rs.600
General lighting for workshop per month	Rs.400
Insurance premium for machine : per month	Rs.1000
Repair and maintenance expenses of machine per month	Rs.1000
Power consumption 10 units per hour	
Rate of (Consumption) Power :	50 Paise per unit
Estimated working hour per annum	2000 hours
Workshop's supervisors monthly salary	Rs.1000

The above machine occupies one-fourth of total area of shop. the supervisor is expected to devote 1/3 of his time for supervising this machine.

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GROUP - C
ANSWERS

Unit-I

1. Cost Accounting is the classifying, recording and appropriate allocation of expenditure for determination of cost of products or services and cost control.

Nature

1. Branch of Accounting
2. Record income and expenditure relate to produciton.
3. Concerned with cost-ascertainmetn, presentation, evaluation, performances, control and reduction.

Scope

1. Cost Ascertainment
2. Cost Accounting
3. Cost control
4. Cost reduction
5. Cost Audit

2. **Advantage**

1. Discloses profitable and unprofitable activities.
2. Measures efficiency
3. Helps in cost control, cost reduction
4. Helps in decision making
5. Guides future production policies and guidelines
6. Application of cost audit

Disadvantage

1. Lacks uniform procedure
2. Large no of convertion, estimates and flexible factors
3. Large varieties of formalities and applicability
4. Handling futuristic situation has not much in contribution.

3. Distinction between Cost and Financial Accounting

Cost Accounting	Financial Accounting
1. Main purpose to ascertain the cost and control.	1. To determine volume of earning and financial position.
2. It deals with the cost and related aspect.	2. It deals with monetary transaction of business.
3. It uses only quantitative information pertaining to transaction, alone.	3. It uses only financial transactions qualitativeis required.
4. It ends only at presentation of information.	4. It reveals capacity and status of firm
5. It deals with historical and current data.	5. It deals only past data of firm.
6. It is prepared to deal requiement according to companies Act.	6. It is kept to meet requirement of companies and Income Tax Act.

4. Cost Accounting has numerous advantages but it depends on how effectively costing system works in organisation. It's important aid to management be cause of following advantages :-
   (i) Discloses profitable and unprofitable activities
   (ii) Measures the effciency
   (iii) Help in cost control
   (iv) Helps in cost reduction and profit maximisation
   (v) Helps in decision making
   (vi) Best use of limited resources
   (vii) Determination of prices
   (viii) Guides future production policies and expansion
   (ix) Application of Cost Audit
   (x) Check on financial Accounting

5. **Cost**

Material	:	Direct Material
		Indirect Material
Labour	:	Direct Labour
		Indirect Labour
Other expenses	:	Direct Expenses
		Indirect Expenses

6. (i) **Job costing :** Costs are collected and accumulaed for each job, work order or project separately.
   (ii) **Contract costing :** When job is big and spread over long periods of time, the method of contract costing used.
   (iii) **Batch costing :** It is an extension of job costing. Each batch treated as unit cost.
   (iv) **Process costing :** Suitable for industries where produciton is continuous nature.
   (v) **Single or Output costing :** Where manufacturing is continuous and units are identical.
   (vi) **Service or operating costing :** Suitable for industries which render services distinct from these who manufacture goods.
   (vii) **Farm costing :** Helps in calculating total cost and per unit cost of various activities covered under farming.
   (viii) **Multiple Operating Costing:** It refers to conversion cost i.e. converting raw materials to finished product.
   (ix) **Multiple costing :** Application of morethan one method of costing.

7. (i) Uniform costing : It is use of same costing principles and / or practices by several undertakings for common control or comparision of costs.
   (ii) Marginal costing : Ascertainment of marginal cost by differentiating between fixed and variable cost.
   (iii) **Standard costing :** Comparision of actual cost with predetermined standard cost and any variance is analysed by causes.
   (iv) **Historical costing :** Ascertainment of cost after they have been incurred.
   (v) **Direct costing :** It is the practice of charging all direct costs, variable, some fixed cost relating to operating,process or product.
   (vi) Absorption costing : Practice of charging all costs, both variable and fixed to operations, pricess or products.

8. (i) **By nature / Element wise :** Material, labour and expenses.
   (ii) **By function :** Manufacturing and production cost, commercial cost
   (iii) **As Direct or indirect :** Direct cost, Indirect cost
   (iv) **By variability :**
   (1) variable (2) fixed, (3)semi variable
   (v) **By controllability :** controllable cost, un controllable cost.
   (vi) **By normality :** Normal cost and abnormal cost.
   (vii) **By capital / revenue :** Capital cost, Revenue cost.
   (viii) **By time :** Predetermined cost, Historical cost.
   (ix) **By planning and control :** Budgeted cost, standard cost

9. Prime Cost
→ Works cost
→ Cost of Production
→ Cost of Sales
\+ Profit

Sales

Cost per unit	₹ 35
Profit per unit	₹ 5
Total profit	₹ 50,000

10.

Prime cost	Rs.	2400.00
→ works cost	Rs.	2700.00
→ cost of produciton	Rs.	2970.00
→ cost of sales	Rs.	3118.50
+ Profit	Rs.	311.85
Sales	Rs.	3430.35

11. Prime cost
↓
Works cost
↓
Cost of production

Cost per Unit	A	B	Total Cost of Sales
↓			
Cost of sales	47.85	45.10	Total Units
(+) Profit	2.15	3.90	Total Profit
Sales	50.00	49.00	Total Units

12.

Direct material	X X X
(+) Direct labour	X X X
(+) Direct expenses	X XX
Prime cost	X X X
(+) Factory overhead	X X X
Works cost	X X X
(+) Administrative overhead	X X X
Cost of production	X X X
(+) Selling & Distribution overhead	X X X
Cost of sales	X X X
(+) Profit	X X X
Sales	X X X

13.

Prime cost	Rs.	75000
Work cost	Rs.	1,05,000
Cost of production	Rs.	1,20,000
Total cost / cost of sales	Rs.	1,25,000
Sales	Rs.	1,35,000

14.

Cost of production	-	Rs.	1,02,600
Cost of sles	-	Rs.	1,33,000
Profit	-	Rs.	59,000

15.

Profit	-	Rs.	93,320
Per unit	-		2.07
Cost	-	Rs.	5,66,680
per unit	-		12.60

16. Sales = Rs.1,44,000

Unit-II

1. It is the acquisiton by a manufacturer of any necessary primary materials, supplies, equipments and so forth by any method.

Objectives

(i) Value for money, cost Analysis
(ii) Long term relatinships with suppliers
(iii) Continuous evaluation of purchasing
(iv) Inventory management
(v) Adequate controls and purchasing policy
(vi) High degree of cooperation and coordination
(vii) To keep informed top managemetn about material developemtn
(viii) To locate new materials or products as required.

2. Purchasing means procurement of goods and services from some external agencies.

Principles of Purchasing

(i) To purchase the right quality of material
(ii) To purcahse the materials in right quantities
(iii) To make materials available at right time
(iv) To purchase material at right price
(v) To purchase material from right source
(vi) To purchase material from right place

3. **Centralised :** It refers to purchasing of all requirements under centra point of organisation.

Decentralised : It refers to purchasing of requiremetns of each production centre in an organisation.

Centralised purchase	Decentralised purchase
(i) Control on buying is exercised effectively.	(i) Effective control is not possible.
(ii) Economy in large scale purchase is possible.	(ii) Large scale benefits are not available.
(iii) Better terms on purchases are possible.	(iii) Bargaining power is low.
(iv) Skills of the purchase officer are high.	(iv) Purchasing skill is available from purchaser.
(v) Purchasing specialisation is ontained.	(v) Purchasing specialisation not obtaied.
(vi) Coniformity in purchase is followed.	(vi) Lot of difference in purchase.
(vii) Standard materials are purchased.	(vii) Quality of material is questionable.

4. (i) What to purchase
(ii) When to purchase
(iii) Where to purchase
(iv) How much to purchase
(v) At what price to purchase

Qualification

(i) He should be person of undoubted integrity. He should be trustworthy for responsible job of purchase of materials.

(ii) He should have complete information about the materials which he is required to purcahse.

(iii) He should maintain proper documents like price lists, catalogue and trade journals to help him in finding the best possible market.

(iv) He should maintain good knowledge of economic principles. He should also have upto date knowledge of import and export procedures and various duties and taxes on items to be purchased by him.

(v) He should have a good knowledge of sale of goods Act and Indian contract act so that he may be able to enter into contracts on suitabel terms.

(vi) He should be aware of policy of firm relating to purchase of materials.

(vii) He should have good organising abilities because he is to supervise duties of different members of staff under his charge.

(viii) He should be prompt in taking the decisions when exceptional matters relating to purchase of materials arise.

5.(a) **Purchase requisition :** It is a form used as a formal request to the purchasing department to purchase materials. It is prepared by store keeper for regular stock of materials and by departmental head for special stock of materials.

(b) **Right Quality of Material :** The basic scientific principle is purchasing the right quality of material specified. Quality means fitness : merit : excellence. ISI and ISO takes care for quality of material, by checking its quality.

(c) **Decentralised purchasing :** Every department, branch or division of the organisation is given authority to make their own purchases. It helps in avoiding delay in purchasing. Chances of wrong purchases are eliminated.

(d) **Purchasing and storing of material :** Material being the major constituent of cost, it is said that 1% saring in material purchase cost is equal to profit obtained by 10% increase in sales. It is well known facts that goods welll bought are half sold.

To further strengthen material control, purchase control must be method by equally effective stores control to avoid losses from misappropriation, damage, deterioration, evaporation and carelessness. Storekeeping is very important for all organisation for handling various items of stores for day to day use.

6. Bin Card Vs. Store Ledger

Bin Card	Stores ledger
(i) It is implies a quantity record of receipts, issue and balance of materials in store.	(i) It alludes to a subsidiary ledger, that keeps track of each and every transaction relating to materials in store
(ii) It is a recording document.	(ii) It is an accounting record.
(iii) Responsibiity of store keeper.	(iii) Responsibility of cost Accounting department.
(iv) Kept inside store room.	(iv) Kept in costing department.
(v) Contains quantitative data only.	(v) Quantitative and monetary data also recorded.
(vi) Entries are posted when transaction takes place.	(vi) Entries posted after the transaction takes place.

Need for Store Keeper

(i) It reduces inventory investment to minimum by adjust / avoiding idle material in stores.

(ii) It ensures continuous flow of material for different jobs and avoid stoppage in manufacturing operation.

(iii) It helps the material to be protected against damage, deterioration, theft, pilferage.

(iv) It supplies production department raw material of good quality and helps company to produce quality goods at lesser cost.

7. "A system of records maintained by controlling department which reflects the physical movement of stocks and their current balance".

It is also known as continuous stock taking.

Advantages

(i) No necessity for physical checking of all items of stores at end of year.

(ii) It is possible to prepare periodical profit and loss A/C and balance sheet.

(iii) All detailed and reliable check on stores.

(iv) Continuous stock taking make store keeper and accountant vigilant in their work.

(v) Planning of production can be done.

(vi) Capital investment in stores can be kept under control.

(vii) A system of internal check remains in operation.

(viii) It makes correct figures of stock available for claim to lodged.

8. The principle on which average cost method is based is that all of materials in store are so mixed up than an issue can't be made from any particular lot of purchases and therefore, It is proper if materials are issued at average cost of materials in store.

It is of 2 types :

(i) Simple average method

(ii) Weighted average method

Advantages

1. This method is rational, systematic and not subject to manipulation. It is representative of prices that prevailed during entire period rather than of price at beginning, end or at point of issue during the period.
2. Average price method is considered to be best method when prices fluctuating considerably.
3. Issue prices are not to be calculated at each time issue are made.

4. This method recovers cost of materials from production.
5. This method maintains issue prices as near to market prices as possible.
6. This method eliminates necessity of adjustmetns in stock valuation.

Disadvantages

1. A fresh rate calculation has to be made as soon as a new lot of material is purchased.
2. Issue price of material does not represent actual cost price of material.
3. At time of rising prices, it overstates profits but not as much as FIFO.

9. Closing inventory 275 units valued @Rs.2.50 and 75 units valued @Rs.2.90

10. Closing stock 100 units @Rs.2 and 300 units @Rs.3

11. Closing stock

(i)	250 units	@ 27	Rs. 6750
	200 units	@ 23	Rs. 4600
	200 units	@ 21	Rs. 4200
(ii)	650 units	@ 23	Rs. 14,950

12. (a) Reorder level 2400
    (b) Maximum level 2900
    (c) Minimum level 900
    (d) Average Stock level 1900

13. Reorder level 3900 units
    Reorder Quanity 5100 units
    Average Stock level 4600 units

14. 379 Units (Economic Ordering Quantity)

15. (a) 1095 units (Economic Ordering Quantity)
    (b) (i) 1500 units (Order placed)
    (ii) 1000 units (Ideal Inventory level)

16. (i) Defective : Defective products or units are those which do not meet with dimension or quality standards and are re worked for rectification of defects by application of material, labour or processign and salraged to point of either standard product or substandard product to be sold as seconds.

    Treatment : It defective production found transferred to specific job or deptt. If not identified, transferred to general factory overhead.

    (ii) Scrap : It is discarded material having some values. It represents fragments or remanants of material.

    Treatment : If realisable value of normal scrap is insignificant, it may be credited to profit and loss A/C.

    (iii) Spoilage : It refers to production that does not meet with dimensional or quality standards in such a way that it can't be rectified economically and is junekd and sold for a disposal value.

    Treatment : If spoilage is normal, the cost is borne by good units of output. In case of abnormal spoilage, cost of spoilage transferred to costing P & L A/C.

17. Waste is a material loss during production on storage due to evaporation, chemical reaction, un coverable residue, shrinkage etc. Wastage may be visible or invisible.

Normal wastage

It is incidental to manufacturing activities. It is arising in a process or operaton usually through standard set for normal percentage of visibel and invisible wastes that may be arising out of production or operation process. It is regarded as part of production. The good unit in the process absorb the cost of waste.

Abnormal wastage

It is excess standard of waste percentage set up to account for normal waste. It cost is excluded from total cost, and charged to costing profit and loss A/C.

Steps taken to control waste

Quantity control - It involves maintenance of detailed record of quantities with an object to detect shrinkage, breakage, loss. An organisation should establish feedback toward standard wastage.

Quality control - The management should fix responsibility on purchase, store, production and maintenance departmetn to ensure achievement of standard.

18. Refer to Answer 16.

Control of Wastage Scrap, Defectives, Spoilage

(i) Report relating to the wastage, scrap, defective and spoilage should be prepared in time to locate reason responsible for it.

(ii) Each of waste should be standardised by following standard costing system.

(iii) Good qulity material should be utilised.

(iv) Control of wastage should start with designing the product.

(v) Trained personnel should be employed or reduce quantum of wastage, scrap, spoilage, defectives.

19. (a) Closing Stock FIFO method 2300
i.e., 200 units @4 + 300 units @5

(b) Closing Stock LIFO method 1900
i.e., 200units @ 5 + 300 unit @ 3

Unit-III

1. Characteristics of ideal wage payment

(i) Fair to both employer and employee
(ii) Guaranted minimumwages
(iii) Payment on merit basis
(iv) Distinction between skilled and unskilled workers
(v) Assurance of equal pay for equal work
(vi) Flexible
(vii) Minimu labour turnover
(viii) Should not violate any agreement
(ix) Flexibility to price charges
(x) Based on capacity of employer
(xi) Sample
(xii) No suspicion

2. **Duties**

(i) Preparation of payrolls in case of time paid workers
(ii) Meeting statutory requirement
(iii) Ensuring discipline in attendance
(iv) Recording of each workers time "in and output"
(v) For overhead distribution
(vi) For checking idle time

Method of time Keeping

2 methods - Manual method and mechanical method

Manual method 2 types -

(i) Attendance register method

Attendance register method is the oldest method of time keeping. The register kept at factory gate in time office. It is sample and inexpensive.

(ii) Metal disc method

Under metal disc method each workers is allotted metal disc or a token with a hole bearing his identification number.

Mechanical method 2 tyopes -

(i) Time recording clocks : Time recording clock is a mechanical device automatically records time of worker. It is useful when no. of worker fairly large.

(ii) Dial time records : Dial time recorder is a machine which has dial around the clock. This dial has a number of holes usually about 150 and each hole bears a number correspondign to identification number of worker concerned.

3. Explain :

(i) Labour Turnover
(ii) Direct Labour cost
(iii) Overtime wages

Labour Turnover : denotes the percentage change in labour force of an organisation.

Labour turnover according to sepration method :

$$\frac{\text{No of employees left during the period}}{\text{Avg. no of employees during a period}} \times 100$$

Labour turnover according to flex method =

$$\frac{\text{No. of additions+separations during the period}}{\text{Avg. no of employees during the period}} \times 100$$

Most Reliable Formula = Labour Turnover=

$$\frac{\text{No of workers replaced during a period}}{\text{Avg, no. of workers during the period}} \times 100$$

Direct Labour

- It is that labour which is directly engaged in production of goods or services and which can conveniently allocated to the hob, process or commodity unit.
- It can be conveniently allocated and identified to cost unit.
- It is variable and varies in proportion to volune of output.
- It is engaged for converting raw material into finished product.

Overtime wages

- It is paid at higher rate
- When workers work for more than normal hour of work, they are eligible to get overtime wage.
- Durable rate for overtime is paid to give incentive for late hours.

4. Distinguish between :

(i) Time Keeping and Time Booking

(ii) Direct labour cost and Indirect labour cost

(iii) Normal Idle time and Abnormal idle time

Time Keeping	**Time Booking**
1. Recording time of arrival and departure of workers.	1. Recording of time spent by a worker on different jobs.
2. It helps to find total time spent by worker inside factory.	2. It is euqlly important to know how time in factory spent on different jobs, work orders.
3. It helps in preparing pay roll, ensure disciplien among worker.	3. It helps to calculate labour cost, ascertain idle time, calculate bonus payable.
Direct labour cost	**Indirect labour cost**
1. It is a part of prime cost.	1. It is a part of overhead
2. It is linked to production dept.	2. It is linked to production, administration and selling.
3. Wage of machine operator assemby-line worker, moulder, welders, polishers.	3. Salary of supervision watchman, factory clerk, store keeper.
Normal Idle time	**Abnormal Idle time**
1. Idle time which is unavoidable and bound to occur.	1. Idle time not connected with usual routine of manufacture.
2. It is normal in nature and inherent.	2. It arises due to certain abnormal conditions.
3. Reasons : Time elapsed, Time spent on setting tools and machinery.	3. Reasons : Time lost due to breakdown, power faiure, strikes and lockouts, Accident and time.

5. Refer to Q.3.

Cause of Labour Turnover

1. Personal causes : Domestic trouble, family responsibility, retirement due to oldage, dislike for job or pace, death, worker finding better job.
2. Unavoidable Causes : Worker may be discharged due to subordinationor inefficiency, long absence, shortage of work.
3. Avoidable causes : Low wages and allowances, lack of promotion opprotunities, lack of proper training, lack of security employment, lack of promotion opprotunity of unfair method, job dissatisfaction.

6. **Time Keeping Functions**

1. To prepare payroll where workers are paid on time basis.
2. To ensure discipline among workers.
3. To meet statutory requirment be keeping attendance record.
4. To catch late comer and early leavers.
5. To generate statistical data for determining producting and control abour cost.

Time Booking Functions

1. To ensure that the time for which a worker is paid, fully utilised.
2. To calculate labur cost of each job or work order.
3. To allocate total overhead expenses on different jobs on basis of Direct labour.
4. To calculate bonus payable to worker.
5. To ascertain ide time - Time keeping and time booking.

7. **Time wage System**

Advantages

1. Simplicity
2. Quality of work
3. Security to workers
4. Liked by trade unions
5. Less damage to plant & machinery
6. Economical

Disadvantages

1. No. incentive
2. Payment for idel time
3. Tendency to efficiency
4. Difficulty in ascertaining labour cost
5. Strict supervision required
6. Upsetting of production schedule
7. Encouraging overtime

Piecerate System

Advantages

1. Incentive to efficient workers.
2. Increase in production
3. Lower cost
4. No. payment for idle time
5. Exact labour cost
6. Proper maintenance of tools & macinery
7. Reduction in supervision cost

Disadvantages

1. Poor quality of work
2. Difficulty in fixing piece rate
3. No effective use of material
4. No saring in labour cost
5. No security of wages

8. Time Wage Vs. Piece Wage System

Time Wage	**Piece Wage**
(i) Under this method of wage payment, the worker is paid at an hourly, daily weekly or monthly rate.	(i) A fixed rate is paid for each unit produced, job completed or an operation performed.
(ii) It is of 5 types flat time, high wage, measured day rate, graduated time rate, differential Timerate.	(ii) It is of 3 types : Straight piece rate, Taylor's differential piece rate system, Merrick's multiple pice rate system.
(iii) Where close supervision possible.	(iii) Suitable for repetitive type work.
(iv) Where output can be measured.	(iv) Quality can be measured and quantity can be measured.

9. Time Wage - 38 x 6 = ₹228
Piece wage - 46 x 5 = ₹ 230
Piece wage better

10. Rowan Premium Plan

In this method, a worker get wages at hourly rate for the actual time taken by him plus a bonus if he completes the work within the standard time. Bonus is given in proportion of time sared to standard time.

Main features :

(i) Wage is paid on basis of actual time taken at hourly rate.

(ii) If a worker complete a work at or above standard time, he will not get bonus.

(iii) If a worker complete a work within standard time, he will get a bonus.

(iv) Bonus is calcualted as a proportion of wages of time save to time allowed.

11. This System of Wage System is named after F.W. Taylor, the father of Scientific Management, who introduced it. Toylor's aims to penalise the slow workers and reward the efficient ones.

The essential features are :

(i) A standard time is set for each job

(ii) Two piece rates are suggested - Higher piece rate and lower piece rate.

(iii) Daily wages are not guaranteed

Normal piece rate = $\frac{\text{Rate per hour}}{\text{Standard outpur per hour}}$

Efficiency = $\frac{\text{Actual output}}{\text{Normal output}} \times 100$

$\frac{\text{Standard time}}{\text{Actual time taken}} \times 100$

12. Taylor's method severely penalises the below average workers. So merrick has advocated for three piecerate on basis of different level of efficiency.

Level of efficiency	**Piece rate**
Upto 83%	Ordinary piece rate
Above 83% but upto 100%	110% of ordinary piece rate
Above 100%	120% of ordinary piece rate

Lowest rate - beginner
Middle rate - Developing worker
Highest rate - Highly efficient workers

13. (i) The standard of performance should be based on time study, motion study, job evaluation and merit rating.

(ii) The scheme should be simple and easily understandable by the workers so that they can calculate their earning.

(iii) The method of incentive plan must be approved by the workers and union.

(iv) Individual incentives rather than group incentives should be preferred.

(v) In no case, the quality of output should be sacrified.

(vi) The incentive scheme should be fair both to the employee and employer.

(vii) The cost of establishing and operating shceme should be reasonable.

(viii) A minimum wage must be guaranteed to every worker.

14.

Halsey Plan	**Rowan Plan**
1. $\text{Bonus} = \frac{50}{100}(S - T)R$	1. $\text{Bonus} = \frac{S - T}{S}(T \times R)$
2. Effective rate per hour increase at an increasing rate.	2. The effective rate per hour increases but at a decreasing rate.
3. When time saved is less than 50% of standard time a worker gets less bonus. So cost per unit becomes less.	3. In similar condition, worker gets more bonus under Rowan plan. So cost per unit becomes more.
4. When time saved more than 50% of standard time a worker gets more bonus. So cost per unit becomes more.	4. In similar situation, a worker gets less bonus under Rowan plan. So cost per unit becomes more.

15. (i) The standard of performance should be based on time study, motion study, job evaluation and merit rating.

(ii) The scheme should be simple and easily understandable by the workers so that they can calculate their earning.

(iii) The method of incentive plan must be approved by the workers and union.

(iv) Individual incentives rather than group incentives should be preferred.

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(vi) The incentive scheme should be fair both to the employee and employer.

(vii) The cost of establishing and operating shceme should be reasonable.

(viii) A minimum wage must be guaranteed to every worker.

16. (i) Rs. 300.00 - Time Rate Method
    (ii) Rs. 400.00 - Piecerate Method
    (iii) Rs. 350.00 - Halesy Plan
    (iv) Rs. 366.67 - Rowan Plan

17. (a) Rs. 570.92 - Rowan Plan
    (b) Rs. 533.00 - Halesy Plan

18. (a) Straight Piecerate
    Rs.160 and Rs.128
    (b) Differential Piecerate
    Rs.200 and Rs.240

19. Halesy Plan - 440.00
    Rowan Plan - 466.67

20. (a) Straight Piecerate
    Rs. 270 & Rs. 216
    (b) Differential Piecerate
    Rs. 375 & Rs. 450

21. Factors Considered in a Premium Plan
    (a) The plan should be simple and it should be easily understood by all workers.
    (b) The plan should appear reasonable both to employer and employe.
    (c) Standard time should be deterimined on the basis time and motion study.
    (d) Standard once fixed should not be altered unless there is a permannet change in method of work.
    (e) Working condition should be that a worker on produce more with extra efforts.
    (f) Indirect workers also be covered under incentive scheme.

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Unit-IV

1. Classification of overhead

↓

Function wise	Element wise	Behaviour wise
↓	↓	↓
Production	Indirect material	Fixed overhead
Administrative	Indirect labour	Variable overhead
selling	Indirect expenses	Semi variable
Distribution		overhead

2. It is the process of grouping cost according to their common characteristic and establishing in series of special groups according to which costs are classified.

   Advantages :
   i) Profit planning
   ii) Effective cost control
   iii) Fixation of selling price
   iv) Marginal costing and Breakeven analysis
   v) Budgetary control
   vi) Allocation, Apportion and Absorption of overhead
   vii) Helpful in decision making

3. It is technique of intelligently decribing in numbers / letters or a combination of both the lengthy description of numerous cost accounting heads for case of recording and controlling of the cost data generated.

   Objectives

   1. To group items of overheads of similar nature as these may be apportioned using same basis.
   2. To facilitate allocation and apportionment of overheads.
   3. To have analysis of overhead expenses for control purposes.
   4. To reduce task of maintaining a huge number of accounts.
   5. To help the task of machine accounting system in a large organisation.

Methods

(i) Mnemonic method

(ii) Decimal method

(iii) Field method numerical codes

4. Production overheads should be collected under separate standing order numbers provided.

The source document for different items of overhead expenses are following:

1. Stores requisition :
   Indirect materials
   Production A/c Dr.
   To stores ledger control A/C
2. Wage Analysis sheet : Indirect wages production overhead A/c debit, wages control A/c Credit.
3. Invoice or purchase vouchers : Pyament to outside parties.
4. Cash Book
5. Journal entries
6. Subsidiary records

5. When the process of identifying production overhead expenses with dfferent production / service departmetns or cost centres, is known as departmentalisation.

Objectives :

1. Cost control is possible because responsibility of occurrence of overhead in a particular department can be fixed on foremen or supervisons.
2. It ensures greater accuracy in cost ascertainment.
3. The service rendered by service department can be properly utilised.
4. Correct cost of work in progress can not be ascertained if overheads are not departmentalised.
5. It ensures most accurates forecasting and hence useful in decision making.
6. Appropriate rates of absorption of overhead expenses can be worked out.

6.

Allocation	**Apportionment**
1. Charging of overhead cost wholly to a department where it is incurred is called allocation of overhead.	1. Distributing the common overhead costs over the related departments is termed as apportionment of overhead.
2. Deals with whole item of overhead cost.	2. Deals with proportionate item of overhead cost.
3. It is a direct process.	3. Apportionment made only on indirectly on some suitable basis.
4. Allocation is possible when a single cost centre incurs such expenditure and derives whole benefit.	4. Apportionment is done when an expenditure is incurred for benefit of more than one department.

7. Principles of Apportionment

The determination of suitable basis is of primary importance and the following are useful guides to a cost accountant :

1. **Service or use or benefit derived**

   If the service rendered by a particular item of expense to different departments, can be measured, overhead can be conveniently apportioned on the basis.

2. **Ability to pay method**

   Overhead should be distributed in proportion to sales ability, income or profitibility of the departments territories, basis of production.

3. **Efficiency method**

   The apportionment of expenses is made on the basis of production targets.

4. **Survey method**

   A survey is made of various factors involved and the share of overhead costs to be borne by each cost centre is determined.

8. Bases of Secondary Distribution

Maintenance dept - Hours worked for each dept.

Payroll or Time keeping - Total labour or machine hours or no. of employees in each dept.

Employment or Personnel dept. - Rate of labour turnover

Store keeping department - No. of requisition / value of material

Purchase department - No. of purhase order / value of material

Building service department - Relative area in each dept.

Transport department - Crane hours, track hours, track mileage

Power house (Electric Power Cost) - Wattage, horse power, horse power machine hour

Power house - Floor Area, Cubic content, welfare, Ambulance, Canteen service - No. of employee in each deptt.

9. Secondary Distribution of overhead

↓

Direct Redistribution method	Step redistribution method	Reciprocal Services method
↓	↓	↓
Simultaneous Equation method	Repeated Distribution method	Trial and error method

10. This method of approtionment is followed when service departmetns are mutually dependent. It means two or more service department provide service to each other.

For example Building maintenance department not only provide services to all departments usign building but also gets service from personnel dept, stores department.

There are three methods available for dealing with inter - service department transfer :

(i) Simulteneous equation method : Here, the true cost of service departmetns are ascertained first with the help of simulteneous equations; these are then redistributed to production dept. on basis of given percentage.

(ii) Repeated distribution method : The total as shown in the departmental distribution summary are put in a line and then service dept. totals are exhausted in turn repeatedly according to agreed percentage until figure become too smaller to matter.

(iii) Trial and error method : The cost of one service department is apportioned to another centre. The cost of another centre plus share recived from first centre is again apportioned to first cost centre and process goes till balance figure becomes negligible.

11. Mnemonic method : Under this method, alphabets or symbols are so allotted as to assist memory and help in identifying the expenses or cost centres. The symbol itself suggest the name of item.

AD Administration

MA Maintenance

RE Repairs

SAL Salaries

Numerical Method :

This method used in those concerns which are working under mechanised system with punched card accounting. The none dight punched card is divided with four barrels as under :

00 / 000 / 00 / 00

The firest barrel represent -

class of overhead

The second barrel represent -

head of examples

The third barrel represent -

analysis of expenses

The fourth barrel represent -

cost centre number

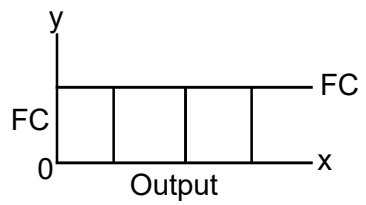
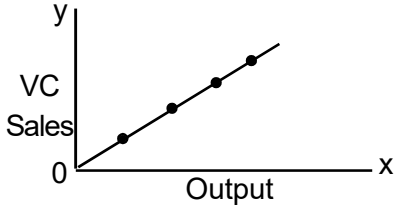
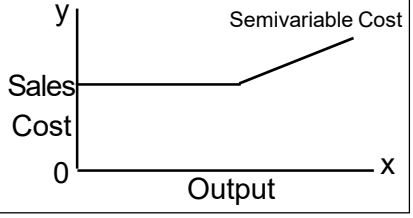
12. These are the indirect expenses of operating the manufacturing divisionof a concern and cover all indirect expenses incurred by undertaking from the receipt of order until its completion ready for despatch either to consumer or to finished goods store.

Example : Consumable stores, fuel, brushes, broom, cotton waste, salary of supervisor.

Features :

1. It must be simple and accurate.
2. Helps to calcualte amount of overhead to be included in each unit or job, value of work in progress.
3. The base selected must be related to main element of production.
4. The rate should remain fairly stable.
5. Overhead absorption rate should be calculated department wise rather than single rate for entire business.
6. Absorbs overhead in equitable manner.
7. Overheads are operating expenses in the sense that these are essential for smooth running of business.
8. It can't be ideatified with specific job or unit.

13.

Fixed Overhead cost	**Variable Overhead cost**	**Semivariable Overhead cost**
1. These are those cost which donot vary directly in proportion with every increase or decrease volume of output	1. Those cost which varies directly in proportion with every increase or decrease in volume of production.	1. Those cost that have both variable and fixed component.
1. For Ex : Salaries, Depreciation, property tax, patent, Rent wages, Insurance	2. For Ex : Supplies, fuel power, small tools, Royalties	2. For Ex : Supervision & Repair, Payroll and services, Health and accident insurance.
		

14. A predetermined overhead rate is a function of estimated overhead and estimated base. Thus, when a firm uses a predetermined overhead rate some difference between the amount of overhead absorbed and actual amount of overhead incurred is bound to arise. This give rise to the problem of under or over absorption of overhead.

When amount of overhead absorbed is less than actual overhead incurred, it is called under absorption.

When amount of overhead absorbed is more than actual amount of overhead incurred, it give rise to over absorption.

Causes of under or over absorption

1. Wrong estimation of overhead cost
2. Error in estimating volume of output or any other base taken
3. Change in production capacity
4. Change in method of production
5. Seasonal fluctuation in certain industries
6. Arithmetical error in calculation

Treatment of under or over absorption

1. Use of supplementary rate =

$$\frac{\text{Overhead incurred-overhead absorbed}}{\text{Actual rate}}$$

It is used when, over or under absorption is substantial. First calculate supplemetnary rate, then make necessary adjustment.

2. Writing off to costing profit and loss A/C

When amount of absorption is negligible, it is not considered worth while to absorb it by a supplemetnary rate and it is transferred to costing profit & loss A/C.

3. Carried forward to next year

Transferred by creating suspense A/c or overhead reserve A/c. It is followed when normal business cycle is more than one year and overhead determined on long basis.

15. **Direct Labour hour rate**

1. Overhead per labour hour can be obtained by dividing total factory overhead by total direct labour hours during a given period.
2. Overhead rate = $\frac{\text{Factory overhead}}{\text{Direct labour hours}}$
3. It takes time factor into consideration
4. It is most equitabel basis when direct labour is the chief factor in production process.
5. It is not affected by the method of wage payemtn time rate or piece rate.
6. It is good method to ensure precise costign and better cost control.

Percentage on Direct Wage Method

1. The total overhead rate computed by dividing total factory overhead to Direct wages during and given period.
2. Overhead rate= $\frac{\text{Factory overhead}}{\text{Direct wages}} \times 100$
3. It gives stable rate as labour rates donot fluctuate frequently as in case of material.
4. This method gives due consideration to time factor automatically as labour cost computed by multiplying labour hours with rate per hour.
5. This method gives better result when workers posses equal skill and to uniform work.

16. Total Amount - 1,54,500

Department :	X	70,500
	Y	44,200
	Z	39,800

17. (i) Direct material cost method Rs. 2000
(ii) Direct labour cost method Rs. 2500
(iii) Prime cost method Rs. 2200

18. Rs.2.70

19. 7.50

20. Machine hour rate Rs.2.80

21. Rs.20.50